# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Paper makers feel the global squeeze, Page 18

World news | Business summary

## Chernobyl N-plant managers dismissed

The Soviet Communist Party has dismissed two top managers at the Chernobyl nuclear station plant, Pravda said in a report disclosing the first punishment of senior officials since the April 26 accident.

The party newspaper said a meeting of the Kiev region party had been called to discuss difficulties with the rescue operation. It dismissed the plant director, named as V. Bryukhanov, and the chief engineer, N. Fomin.

"In the difficult circumstances of the accident, they were not able to provide correct and firm leadership and necessary discipline, and they showed irresponsibility and mismanagement," Pravda said. Page 3

### N-plant protest

More than 10,000 protestors from West Germany, Luxembourg, Belgium and France demonstrated in Cattenom, northern France, against a new nuclear power plant which is destined to be the largest in the world.

### Anti-terrorism pact

Italy and Egypt will tighten security co-operation to combat terrorism, Italian Interior Minister Oscar Luigi Scalfaro said after talks in Cairo with President Hosni Mubarak.

### Camps war truce

A Syrian-mediated truce appears to have halted fighting between Shi'ite Moslems and Palestinians, which killed as many as 140 people at three refugee camps in West Beirut.

### Bangladesh bombs

More than a dozen bombs exploded at Dhaka University, arousing fears of renewed student violence as classes resumed after a month-long summer recess.

### Hijack trial

Three Palestinians alleged to have hijacked the Italian cruise ship Achille Lauro last October go on trial in Genoa, Italy, on Wednesday on charges ranging from murder to mass kidnapping. Palestinian leader Abu Abbas and eight other Palestinians accused of complicity in the hijack will be tried in their absence.

### Tehran crackdown

Iran's revolutionary "komiteh" police raided up to 150 shops and 32 warehouses in Tehran and arrested 200 people in a crackdown on the capital's black marketeers.

### Falklands celebrate

The Falkland Islands celebrated the fourth anniversary of the defeat of occupying Argentine forces by British troops with a thanksgiving service and parties throughout the disputed South Atlantic colony.

### Protestant clash

Protestant youths fought running battles with police in Northern Ireland after a parade by opponents of an agreement giving the Irish Republic a say in affairs of the British-ruled

### Popular President

Ronald Reagan received his highest approval rating yet in a public opinion poll taken last month. The President achieved 68 per cent, the highest rating of any president in the second year of his second term.

### French Oaks win

Lacovia, the 2-5 favourite, ridden by Freddie Head, trained by François Boutin and owned by Gerry Oldham, won the Prix de Diane, the French Oaks, at Chantilly.

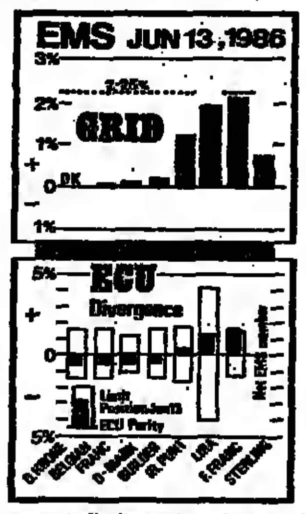
### Trouser trouble

A Soviet ourse, returning from an emergency mission in the southern Russian town of Krasnodar, was refused entry to a local health ministry because she was wearing trousers, the government newspaper Izvestia reported.

## N Zealand hit by big fall in farm sales

**NEW ZEALAND:** Dairy farmers are expected to suffer a 44 per cent drop in their initial sales receipts this season. Page 29

**EUROPEAN Monetary System:** Trading was quiet and featureless for most of last week with the Belgian franc, Danish krone, Dutch guilder and D-Mark very closely placed and near their respective




cross-rate limits against the French franc. However, each currency was well within its divergence limit and under no pressure. The French franc remained very strong at the top of the system, underpinned by a favourable interest-rate differential with its main trading partner, West Germany.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

**CHINESE** aeronautics officials have discussed with **Hughes Aircraft** of the US the possibility of joint development of a satellite launching pad in Hawaii for US civilian satellites. Page 4

**FOREIGN** banks incorporated in West Germany are today expected to learn under what conditions they will be admitted to the consortium that places federal government, post office and railway bonds. Page 21

**EEC** faces a fish crisis after a sharp fall in the world price of tuna. Page 3

**ITALIAN** parliament has approved a bill which could help speed up transfer of shares on the booming Milan stock exchange. Page 21

**BANK OF ISRAEL** has appointed Prof Michael Bruno as governor after the resignation of Dr Moshe Mandelbaum. Page 2

**TIN TRADERS** have appointed Mr Michael Arnold, former National Union of Mineworkers' receiver, to lead their fight for £300m ($456m) compensation over the collapse of the International Tin Council. Page 10

**CHICAGO'S** Midwest Stock Exchange and its **Toronto** counterpart are to be connected today by a computer-based international trading link. Page 24

**GRAND METROPOLITAN** is set to reject a $900m offer for its hotels division from Trafalgar Holdings, a US finance house. Page 26

**STANDARD OIL,** British Petroleum's majority-owned US subsidiary, is raising $250m by issuing security enabling investors to benefit from future oil price rises. Page 29

**ROYAL INSURANCE** has become the first UK insurance company to announce a sterling commercial paper programme and has appointed Barclays and S.G. Warburg to act as dealers for up to £50m ($76m). Page 21

**BERGEN BANK,** Norway's third-largest commercial bank, has reported sharply higher operating profits for the first four months of 1986. Page 24

**OWNERS ABROAD** Group, UK's sixth largest tour operator, is setting up a holiday airline, Air 2000.

# ANC leader warns of more terrorism after Durban bomb

BY ANTHONY ROBINSON IN JOHANNESBURG

MOVES by the South African security forces to prevent demonstrations today, the tenth anniversary of the Soweto rising, gained additional urgency yesterday after the weekend car-bomb explosion in Durban.

The victims of the explosion included one Asian and two white women and the death toll in the country rose to 22 since a blanket state of emergency was imposed at midnight last Wednesday. Sixty-nine people were injured in the Durban bombing.

Mr Louis Nel, Deputy Minister of Information, described the bomb attack, the latest in a series that has caused over 20 deaths in the last six months, as a "ghastly attack of terror of the worst kind." He called on "Western interest groups and others inside our country who pamper terrorist organisations" to take note of "the unscrupulous nature of terrorism."

At the same time, the police announced that a man and a woman were arrested on Friday night at the South African-Swaziland border post of Golela. A police search of the woman's car revealed a rocket launcher, several AK-47 automatic rifles and ammunition, plastic explosives and "a large quantity" of African National Congress (ANC) literature.

Mr Oliver Tambo, ANC president, acknowledged yesterday that his organisation might have planted the device in Durban, and warned of further violence.

Questioned about the explosion on BBC television, Mr Tambo said: "It could be the ANC, but I have yet to confirm that." He added: "The international community must be prepared for more and more violence of all types."

Most black workers are expected to stay away from work today, and churches throughout the country are expected to hold services in memory of the Soweto events in 1976.

Before the emergency was declared, several leading black trade unions, including the National Union of Mineworkers (NUM), had declared today a work "stayaway", and although the Government intends to treat the anniversary as a normal working day, several important local and foreign companies have declared a holiday.

Others have agreed to turn a blind eye to absenteeism on the basis of "no work, no pay, no retribution."

Black workers are not expected to risk the anger of township political organisations and the difficulties of police or army road blocks to go to work, and many have sent their wives and children to safer accommodation in the rural areas.

People have been urged to remain calm and provide no excuse for releasing the repressive powers of the state. Reinforced by the state of emergency, the security forces have virtually unlimited opportunities and indemnity before the law for any act committed "in good faith."

Bishop Desmond Tutu, the Anglican Archbishop-elect of Cape Town, is due to preach at tha Anglican Cathedral in central Johannesburg at noon, and bona fide religious services have been exempt from the

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Editorial comment, Page 18; Platinum price soars, Page 9

# Dutch seek EEC ban on S. African produce

BY QUENTIN PEEL IN BRUSSELS, LAURA RAUN IN AMSTERDAM AND MICHAEL CASSELL IN LONDON

THE DUTCH Government will today propose an EEC-wide ban on imports of South African wine, fruit and vegetables when Community foreign ministers meet in Luxembourg to consider the latest state of emergency and mass arrests of black activists in the country.

The move is certain to step up the pressure on both Britain and West Germany, the two member-states of the Community most opposed to economic sanctions, to agree on tougher measures to bring the South African Government to the negotiating table.

The Netherlands, which also currently holds the EEC presidency, will submit its important ban proposals after an inconclusive attempt by national officials to agree common proposals last week.

France is expected to lend its support to such a gesture, although Mr Jean-Bernard Raimond, the French Foreign Minister, will not himself propose it. The French Foreign Ministry said yesterday that the minister was "open to any suggestions of further economic measures," while still opposed to formal economic sanctions.

Today's meeting will reach no final decision, with the discussion of South Africa confined to the informal agenda over lunch, but it is intended to prepare the ground for formal measures concerning South Africa to be put forward at the EEC summit on June 26 and 27.

Diplomats from all sides have been emphasising that the discussion is about "measures" rather than "sanctions" that might be taken – and that the specific aim is to persuade the South African Government to negotiate with genuine black political leaders in the country.

Britain remains opposed to any drastic action, although Bonn supports the same general attitude. The two countries account for most EEC trade and investment involving South Africa.

Sir Geoffrey Howe, the British Foreign Secretary, will express at the meeting the UK Government's conviction that any measures can only be effective if they are adopted internationally.

The refusal last week by Mrs Margaret Thatcher, the UK Prime Minister, to be pushed into taking early economic measures against South Africa, which she claimed might further escalate the crisis, brought widespread weekend criticism in Britain.

There were some indications at the weekend that growing numbers of Conservative MPs at Westminster, despite misgivings about the use of trade and financial sanctions, believed the Government had no choice but to lead the move for further measures.

Denmark has already agreed to impose an embargo on all South African imports – although that might

Continued on Page 20

Hawke urges sanctions; UK companies pay low rates, Page 2

# Brazil may ease import curbs as consumer demand soars

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is preparing to lift import restrictions on several key agricultural and industrial products in an attempt to relieve shortages provoked by the current boom in consumer spending.

The liberalisation scheme stems from pressure from food retailers and industry who claim that lack of raw materials and outdated machinery are inhibiting their ability to meet orders.

Demand has rocketed in Brazil since the introduction in February of the Crusado plan, under which indexation was ended and prices were frozen. The consequent switching of cash from the savings sector into consumption has raised fears of intolerable inflationary pressure on the economy.

In an attempt to avert speculation, the Government of President Jose Sarney is conducting a series of round-table meetings with key representatives of the agricultural and industrial sectors to head off shortfalls and restore stocks.

Among the measures under consideration are substantial reductions in the tariffs on some imported capital goods, which may attract duties as high as 150 per cent.

The Government has already agreed to allow some 260,000 tonnes of beef into the country after the meat industry warned that supplies for the principal urban centres were due to run out within days.

It was announced at the weekend that stocks were so low that importers had commissioned three jumbo jets to fly in 26,100 tonnes of beef from Europe to Rio de Janeiro and Sao Paulo.

Textile and clothing manufacturers are also pressing the Government for rapid agreement on imports of chemicals, raw materials and new machinery.

The textiles and clothing industry, Brazil's largest employer, contributing 6 per cent of gross domestic product, has argued that outdated equipment is slowing production and is widening the technology gap between Brazil and its rivals in the Far East.

The rapid growth in textile and clothes exports, which last year achieved sales of $1.13bn, is now threatening to flatten out. Exhibitors at last week's industry trade fair in Sao Paulo warned that they were now being forced to import acetate fibres, nylon and fine wools at prices well beyond those on the home market.

Even more serious, they claimed, was the lack of modern looms, some of which might take as long as two years between order and delivery, and the domestic shortage of dyestuffs.

One exporter said Brazil needed to buy at least $400m worth of new equipment from abroad to keep the textile industry competitive.

Other industries currently in talks with the Government include furniture manufacturers and shoemakers. The latter claim that shortages of leather might reduce annual sales to the US, currently worth about $1bn, by as much as 10 per cent.

An official of the Industry and Commerce Ministry said the Government hoped to complete its studies on critical sectors by the end of tha month and a loosening of import restrictions could be expected shortly afterwards.

However, he added that checks would have to be made by customs officials to ensure that any requests from industry did not conflict with the longstanding policy of substituting foreign equipment with local products wherever possible.

● Mercedes-Benz is to invest $250m in its Brazilian plants over the next five years to lift its bus and truck production from 44m to 55m units a year.

## County Bank wins go-ahead for US services

By David Lascelles in London

COUNTY BANK, the merchant banking subsidiary of the UK clearing bank National Westminster, has received permission from the Federal Reserve Board of the US to offer a research and stockbroking service to clients on the American market.

The decision marks a breakthrough for banks, both US and foreign, that have been trying to find ways into the US securities business from which they are largely barred by US banking law.

It is likely to be bitterly opposed by the Securities Industry Association (SIA), the Wall Street trade group that has resisted all efforts by banks to encroach on their turf.

The Fed go-ahead was granted after a meeting of the board on Friday afternoon and follows an application period by County which has lasted more than a year. The decision is contained in a 45-page document which is certain to be picked through carefully by banks and securities houses. Many US banks have been waiting for this key decision before preparing applications of their own.

Mr Charles Villiers, chairman of NatWest Investment Bank (NWIB) which includes the group's merchant banking and securities activities, said at the weekend that he expected County to start offering the new services in the US by next autumn. Key staff had already been engaged although they have only been working as consultants pending the Fed decision.

Different parts of US banking law prevent banks from both transacting deals in, and offering advice about, corporate securities and therefore banks have been confined to one activity or the other.

County has now succeeded in obtaining permission to do both at once, which means it will be able to provide both research and transaction services in US stocks. It will not, however, be allowed to underwrite corporate securities, an important business area from which banks remain excluded by the Glass-Steagall Act.

NWIB comes into formal existence today. Capitalised at £311m ($472m) it includes NatWest's merchant bank and securities activities acquired through Fielding Newsom-Smith the stockbrokers, and Bisgood Bishop, the jobbing firm, as part of the City of London shake-up triggered by the so-called Big Bang.

Foreign banks make progress in German bond consortium, Page 21

# Lower Saxony gives boost to troubled Kohl

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S ruling Christian Democrats (CDU) last night succeeded in retaining power in vital elections in the state of Lower Saxony, a result that comes as a massive relief to the party and the much-criticised Chancellor Helmut Kohl.

The result will probably put an end to persistent speculation that Mr Kohl might be replaced as party leader before the federal elections, now barely seven months off.

None the less, the Christian Democrats suffered heavy losses to the opposition Social Democrats and will have to rely on a coalition with the Free Democrats to command a majority in the state parliament in Hanover.

Yesterday's vote had been widely seen as a key test for next January, and its significance was illustrated by the high turnout of about 80 per cent of the state's 5.7m registered electorate, despite brilliant sunny weather and a long holiday weekend.

The campaign had been almost exclusively national in character featuring issues ranging from the earlier discontent of the traditionally CDU farmers over their falling income to the bitter debate over nuclear energy, and criticism of the central Government's seemingly complacent handling of the aftermath of the Chernobyl emergency.

Equally important, the failure of the SPD to win power has banished the spectre of the opposition parties in the Bundestag gaining control of the Bundesrat, the second house of Parliament in Bonn. Victory in Lower Saxony would have given the Social Democrats 23 of the Bundesrat's 41 eligible votes and with it the capacity to block important government legislation, including strike law reform, future atomic energy plans and further tax cuts.

Virtually unanimous projections from both main West German television channels gave the CDU about 45 per cent of the vote, some 7 per cent less than the 50.7 per cent it won in the last election in 1982.

But the 5.9 per cent credited to the FDP means that the two parties, which already co-operate in central government, will comand a majority of between one and three in the 155-seat Hanover Assembly.

The Social Democrats lifted their share of the vote to slightly over 42 per cent from 36.5 per cent four years ago. They failed in their ambition to overtake the CDU as the largest party in Lower Saxony, and they have not amassed enough votes together with the radical, anti-nuclear Greens on their left to permit a "red-green" alliance to take power in the state.

Mr Helmut Kohl: clearly delighted

For the Greens, the result is a clear disappointment. Although they increased their vote to around 7 per cent from 6.5 per cent in 1982, that was well below earlier opinion-poll predictions of a share of up to 10 per cent, in the wake of the public anxiety over the Chernobyl disaster.

A clearly delighted Mr Kohl said last night that, despite unfavourable opinion polls over the past three weeks, "We have done it, and now have a great chance of carrying on our policies with the FDP in the future."

Lower Saxony, he said, "was a vote for national policies."

Mr Johannes Rau, the SPD's candidate for chancellor next year, said the result was "a good following wind" for January.

In fact, though, most analysts saw it as strengthening the likelihood of the centre-right retaining power in Bonn, and reducing the possibility of a 'red-green' government ruling West Germany. The CDU and FDP yesterday did almost as well in Lower Saxony as in the national election of 1983.

In purely local terms, the result means that the state will continue to be led by Mr Ernst Albrecht.

No less heartening for Mr Kohl, however, has been the achievement of the FDP in defying widespread expectations that the party would fail to clear the 5 per cent barrier essential for representation in the state parliament. Its performance in Lower Saxony this weekend will remove most doubts that the party, despite the criticism of Mr Martin Bangemann, its leader, will do the same next January.



CONTENTS

# Hawke urges sanctions against Pretoria

BY MICHAEL HOLMAN

P. W. Botha . . . facing the threat of sanctions

MR BOB HAWKE, tha Australian Prime Minister, said yesterday it would be in Britain's "self interest" to apply sanctions aaginst South Africa, a call echoed by President Kenneth Kaunda of Zambia who repeated his threat to leave the Commonwealth over the issue.

Mr Hawke said on television in Sydney that he hoped Mrs Margaret Thatcher, the British Prime Minister, would agree to fresh measures against the Republic when she attended a special Commonwealth leaders meeting due to take place in London from August 3 to August 5.

He said: "It would be much better if Mrs Thatcher and the British themselves could see that their own self-interests are much better served this way."

Mr Hawke will join Mrs Thatcher and leaders from the Bahamas, Canada, India, Zambia and Zimbabwe at the meeting, to discuss the report of the so-called Commonwealth Eminent Persons Groun on their mission to South Africa.

The report ruled out prospects of political dialogue between black and white and made it clear that Commonwealth leaders should impose fresh economic sanctions against South Africa.

Mr Hawke said the failure of the Commonwealth mission meant Mrs Thatcher had to accept that sanctions were the only course now open.

President Kaunda will also be at the London meeting. In a television interview yesterday with the BBC's This Week Next Week programme, he said he was "serious" about his threat to leave the Comonwealth should the meeting not decide on fresh measures against South Africa.

However, he said he believed that Mrs Thatcher would reconsider her opposition to sanctions. They were, he said, "the lesser of two evils. *Sanctions will make us (the* black-ruled front line states in the region) suffer." But they were the only alternative to the "bloodbath" that would follow inaction.

President Kaunda put his country'a armed forces on alert at the weekend to counter what he said were South African plans to "attack Zambia massively," including sabotage of bridges which would cut off the copper mining towns. Copper accounts for more than 90 per cent of the country's axport earnings.

The information about the plans had come from the nine South Africans held in the wake of last month's raid by Pretoria on an alleged guerrilla hase nf the African National Congress (ANC) near tha Zambian capital, Lusaka.

In Harare yesterday Mr Robert Mugabe, Prime Minister of Zimbahwe, criticised Britain and the US for refusing to impose stanctions. He told a rally in Harare that at next month's meeting of the Organisation of African Unity (OAU) he would propose the formation of e *joint African* force to *fight* Pretoria. "The only language the Boer will understand is the language of the gun," he said.

● A United Nations Conference on sanctions against South Africa gets under way in Paris today, Reuters reports. The five-day conference, organised by the UN Special Committee against Apartheid, will review developments since the subject was last discussed in May 1981, and recommend further measures.

The US, Britain and West Germany are boycotting the meeting.

**Carla Rapoport in Tokyo** writes: Japan will join in economic sanctions against South Africa if the US, Britain and other countries decide to impose them, a Foreign Ministry official said at the weekend.

Japan has already announced a ban on the imports of gold coins from South Africa and the exports of computers to South Africa. However, further economic sanctions would be considered if other nations imposed them, the official said.

The Japanese Government filed an official protest on Friday expressing strong regret over the recent declaration of a state of emergency by South Africa.

Japan is not expected to take any initiative on further economic sanctions, but will wait for the lead set out by its major trading partners. Discussions on the possible impact of further economic aanctions is now being discussed at various Japanese government agencies, including the Ministry for International Trade and Industry.

# Mexicans remain silent on IMF moves

By David Gardner in Mexico City

**The Mexican Government was yesterday still unable to confirm whether Mr Jesus Silva Herzog, the Finance Minister, would this week be leaving for the US to resume substantive negotiations with the IMF on a new economic programme.**

"The President (Miguel de la Madrid) is directing negotiations," said a Treasury spokesman, who added that no decision was likely before today.

Mexico is fast running out of foreign exchange with which to service its $97bn (£63bn) foreign debt, as a result of this year's oil price collapse and in the absence of any new agreement with its foreign creditors.

However, hopes have risen in the past week that it may soon reach agreement in talks with the IMF which began last autumn.

Mexico is seeking a flexible, 18-month programme with the IMF which would, for example, allow it to bring its budget deficit down from this year's expected 13 per cent of GDP to around 6 per cent by the end of 1987, rather than setting what it regards as unmeetable targets for this year.

All Mexico's senior Cabinet Ministers, furthermore, are adamant that the country's commercial bank creditors must make concessions which would alleviate Mexico's debt service burden.

Talks with the banks will not begin until an IMF agreement is tied up, though Mr Silva Herzog said in an interview at the end of last month that Mexico would go to the banks with or without a deal with the IMF.

The finance minister's remarks followed a spate of hardline declarations by senior ministers and the president, which seemed to be preparing the political ground for a moratorium on payments by insisting that Mexican debt service would have to be adjusted to the country's capacity to pay.

The government has now moved to qualify these remarks. Mr de la Madrid gave a studiously calm televised interview last week, in which he said that "until now, we have not thought it in the country's interest to default on our foreign obligations."

# Reagan presses Gorbachev to resume plans for summit

BY NANCY DUNNE IN WASHINGTON

PRESIDENT REAGAN has written Mr Mikhail Gorbachev, the Soviet leader, a conciliatory letter pressing for a resumption in planning for a new superpower summit.

The letter, delivered last week by Mr Arthur Hartman, the US Ambassador in *Moscow*, proposed an early meeting, perhaps in Europe, between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister. The two were scheduled to meet in Washington in May to plan for a US summit this year, but the Soviets cancelled the meeting after the April 15 American bombing of Libya.

Mr Gorbachev, according to Press reports, has yet to respond to Mr Reagan's plea because of confusion over the President's stance on arms control.

The Reagan initiative comes at a time of widespread controversy over his decision to abandon the limits on the Salt 2 strategic arms treaty. Administration officials have variously insisted that the Soviets have already violated Salt 2, promised "restraint" in deploying new weapons and in vague terms linked restraint with Soviet behaviour.

The President has insisted that he wants arms reduction rather than the arms control provided for in Salt 2. On Wednesday the Soviets presented a *new* proposal in Geneva calling for the reduction of arms and at a Press conference that night Mr Reagan seemed to go out of his way to recognise Mr Gorbachev as the first Soviet leader to want arms control.

Efforts to get a summit this year have reportedly been forwarded by Mr Armand Hammer, head of Occidental Petroleum Company and a long time US-Soviet go-between. Mr Hammer met in Washington with the President and in London with Prime Minister Tatcher and Mr Leonid Zamyatin, Soviet Ambassador to Britain, to assure them that the President sincerely wants an arms agreement.

# UK companies 'pay S. African blacks below target'

BY DAVID THOMAS, LABOUR STAFF

MOST BRITISH companies in South Africa pay their black workers below the minimum target set by the European Commission, according to a new report.

The report, prepared by the Ethical Investment Research and Information Service (Eiris), a church-backed research group, claims to be the most detailed independent assessment of pay in South African subsidiaries and associates of British companies ever published.

It claims misleading figures are published annually by the Department of Trade and Industry (DTI) summarising returns under the EEC code of conduct for companies with interests in South Africa.

The Eiris study looks at the returns of 135 British companiea analysed in the latest DTI report on the EEC code of conduct which covers the year to June 30 1985.

Eiris says at least 15 per cent, and possibly as many as 65 per cent, of the black workers in these companies were paid significantly below the EEC target for minimum pay. The equivalent figure in the DTI report is 7.6 per cent.

Eiris found that 75 per cent of the 135 companies paid minimum rates significantly below the EEC target. A total of 40 companies paid minimum rates below the levels defined by South African research institutes as necessary for subsistence living for a black worker and his family.

Minimum monthly pay should have been R525 (£72) to meet the EEC target in June 1985, according to Eiris. However, most of the 135 companiea paid minimum rate below R380.

Most British companies also failed to employ as many black workers as would be expected from the share of blacks in the South African population, Eiris says.

Although more than 75 per cent of the South African population is classified as black, only 10 of the 122 British companies giving this information employ that proportion, according to Eiris. At about 66 companies less than half the workforce is black and at 18 companies less than a quarter of the workforce is black.

Eiris says the differences between its report and DTI figures arise for three main reasons:

COMPANIES PAYING MINIMUM RATES AT LESS THAN HALF THE EEC TARGET

| Company | Financial Rand (£1 = R6.92) monthly pay |
|---|---|
| BET | R257 |
| Thorn EMI | R252 |
| McKechnie | R251 |
| Alfred McAlpine | R250 |
| National Employers Mutual General Insurance | R247 |
| BBA | R229 |
| Frank Fehr | R228 |
| APB Industries | R206 |
| Babcock International | R205 |
| Pritchard Services | R199 |
| British Petroleum | R198 |
| Lonhro | R187 |
| Electronic Rentals | R180 |
| Low & Bonar | R156 |
| Union International | R153 |
| Hickson International | R 93 |

Source: Eiris

● Companies have been encouraged by the DTI into thinking that the EEC target for minimum pay is 30 per cent above subsistence levels, whereas in fact it la 50 per cent.

● In their returns, more than a third of British companies may be comparing the previous year's figures for subsistence living with the following year's wage rates.

● Many British companies use below-average family-size figures when reporting on how their pay rates compare with subsistence levels.

Eiris also complains that much of the information supplied to the DTI by British companies is inadequate.

For example, nine companies supply minimum wage figures relating to only one employee, thus making it impossible to establish the precise numbers paid below the EEC target.

*UK Companiea' South African Pay and Conditions. Eiris, 9, Poland St, London W1V 3DG. £2.00.*

# Leading economist named Bank of Israel governor

BY LYNNE RICHARDSON IN TEL AVIV

PROF. MICHAEL BRUNO, renowned as the architect of Israel's successful economic recovery programme, has been named as governor of the Bank of Israel to replace Dr Moshe Mandelbaum.

Dr Mandelbaum stepped down from the top post of the central bank after being severely censured in the final report into the bank share scandal, which rocked the Israeli economy in October 1983.

The commission of inquiry into the near-collapse of the banking system, headed by Justice Moshe Beijsky, recommended the dismissal or resignation of Dr Mandelbaum along with the heads of the four commercial banks.

Prof Bruno, 54, lectures at the Hebrew University in Jerusalem and, according to the Cabinet statement announcing his appointment: "He is an expert in economics of the highest magnitude." His candidacy was unopposed, although the name of Mr Adiel Amora'i, Labour's Deputy Finance Minister, had earlier been put forward.

The choice of Prof Bruno, who is known to have political leanings towards the left and is involved with the Peace Now movement, is deemed acceptable to the right-wing Likud partners in the coalition Government because of his laissez-faire approach to economics.

The new governor will be trying to promote his aims, stated on his introduction of the economic stabilisation plan last July, of restraining government spending and initiating changes in the capital market, after achieving success with the country's foreign reserve and its inflation rate.

● Israel's consumer price index rose by 1.6 per cent in May, according to the Central Bureau of Statistics. This brings Israel's annual projected inflation rate to approximately 16 per cent.

# Punjab police seek 40 'hardcore rebels'

BY JOHN ELIOTT IN AMRITSAR

POLICE CHIEFS in the northern Indian state of Punjab, where more than 150 people have been killed in the past two months, believe that about 40 "hardcore terrorists" are responsible for organising the violence carried out by over 4000 Sikh exremists, many aged between 18 and 25.

Extremist violence has increased in the past six months, overturning hopes of Mr Rajiv Gandhi, the Indian Prima Minister, for an accord he reached with Sikh leaders 11 months ago. Four people were killed in the state yesterday.

Mr Julius Ribeiro, a former Bombay police chief who was appointed director general of Punjab's demoralised police force at the end of March, says that his efforts to arrest the 40 are seriously impeded by political interference in police activities from members of Punjab's ruling Akali Dal government, by local politicians and other local figures trying to influenca police actions, and by widespread fear of assassination among policemen.

In an interview yesterday, as he finished a week-long tour of the state, Mr Ribeiro said: "Progress is not very encouraging. We are a long way off my target of turning this terrorism into a simple law and order problem. But when we catch these main 40 people we will have broken the back of it." He would not say how long this might take, although the end of the year is a target of some senior police officers.

He claimed that police evidence showed that neighbouring Pakistan helped the extremists by "brainwashing and training" Sikhs who crossed the border, by supplying sophisticated arms, and by providing general encouragement. Police yesterday arrested one extremist who, they said, had been trained with four others in Pakistan between February and May this year.

Police chiefs say that since the violence started to build up in Punjab three years ago, criminals with police records have linked up with religiously motivated extremists so that Sikh sectarian targets of causing communal unrest and driving Hindus out of Punjab have become merged with bank robberies, killings and smuggling.

"We now have 40 gang leaders, each with maybe eight to 10 or sometimes as many as 15 gangsters each, making a total of about 400 who can at any time recruit from perhaps 3,000 to 4,000 young men who have been brainwashed in extremism," says Mr Ribeiro. "We must get at least 35 of them—so far we have captured three and killed two.

"But we have to recognise that terrorism cannot be wiped out, as the west has learned. It can only be controlled and brought under manageable proportions. Our aim must be to motivate the policemen in the local stations, they are our cutting edge, so that the terrorists become the hunted, not the hunters as they are now."

The spate of killings has risen to over 70 a month in the past two months, the worst ever in tha Punjab. Mr Ribeiro believes the extremists have been encouraged by a split in the Akali Dal Party since police action in the sacred Golden Temple in Amritsar early last month swung political opinion.

Now there are further splits and political tensions over the proposed handing over to Punjab next Saturday of Chandigarh, at present the joint capital of Punjab and neighbouring Jaryana, and a planned parallel transfer of Punjab villages to Haryana.

Mr Ribeiro aays he does not believe that the handover of Chandigarh on the June 21 deadline set by Mr Gandhi will significantly help to solve the problem of the violence. But it is widely thought here that a failure to meet next Saturday's deadline could spark a new surge of killings.

# Syria cancels Iraq meeting

**SYRIA has cancelled a possible reconciliatian meeting with Iraq because of Iranian pressure, the Al-Seyassah newspaper reported yesterday, AP reports from Kuwait.**

**Citing Arab sources in Lebanon, the right-wing paper said the cancellation—first reported as a postponement—was decided a few hours before the foreign ministers of the two neighbouring Arab powers were to have met at their border last Friday.**

**"The Iranians threatened Syrian President Havez Assad to create problems (for Syria) in Lebanon if he pursued his rapprochement plans with the Iraqis," tho paper said.**

# Debt rescheduling deal sought by Ivory Coast

BY PETER BLACKBURN

THE IVORY COAST will seek to become the first black African country to obtain an annual rescheduling of official debt when talks open in Paris on June 23.

The talks will test the willingness of western governments to ease rescheduling terms so as to accalerate economic recovery in sub-Saharan Africa.

The Ivory Coast is one of only two sub-Saharan states—with Nigeria—included in the Baker plan to stimulate economic recovery through growth in 15 middle-income developing countries.

A multi-annual rescheduling would ease the execution of a new five-year development plan due to be adopted soon and frees resources to achieve an annual 5 per cent growth, according to Ivory Coast officials.

The country has an external debt of CFA F6bn (£11m) and a population of less than 10m. This makes it one of the world's most indebted countries in per capita terms.

Aided by a record cocoa crop last year it is starting to emerge from a five-year recession but a heavy debt aarvice burden could slow economic recovery, economists sey.

The Paris club rescheduling is the final element in a package of measures to provide debt relief and promote economic recovery.



# Bahrain threat to offshore banks which pull out

BY CATHY EVANS IN DUBAI

BANKS which decide to pull out of Bahrain will not be allowed to return in future, Mr Ibrahim Abdul Karim, Finance Minister, has said.

In a statement published by the island's Gulf Daily News, the minister declared: "We do not want to be milked by hit and run operators."

The ministar's threat followed an announcement by two more offshore banks in Bahrain, Kredietbank and the Bank of Nova Scotia, that they intend to close down operations, resulting in the loss of 24 jobs. Officials of the Brussels bank last week said they would return to Bahrain if tha business climate improved.

These departures follow a string of similar decisions by a number of foreign and offshore banks to trim operations in the Gulf. Further departures are expected to be announced shortly as the business season goes into its customary summer lull. Banks say the decline in business opportunities in the area and the lack of legal codes have contributed to the decision to close operations.

However, Mr Karim said: "They cannot blame all their problems on the Middle East and Bahrain in particular. Debts incurred here are a small fraction of their global downturn in business."

A number of foreign banks have experienced problems in negotiating a retrenchment of their operations in Bahrain, particularly over the question of redundancies among Bahrain nations. Citibank was recently obliged to pay over $1m (£657,000) in compensation to 10 local employees when it decided to close the bank's dealing room.

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# Qatar, Bahrain in pullback

QATAR AND Bahrain completed a simultaneous troop withdrawal from diaputed border areas yesterday, Reuter reports from Doha.

An authoritative source said Qatari forces withdrew from the Fasht al-Dibal reef midway between the two countries, while Bahrain pulled its troops back from the Hawar Islands close to the Qatari coast. The withdrawals were supervised by a team of obsarvers from the six-nation Gulf Cooperation Council (GCC).

# OVERSEAS NEWS

## Moscow sacks two managers of Chernobyl plant

BY PATRICK COCKBURN

THE two men in charge of the Chernobyl atomic power station have been sacked for incompetence, the Communist Party daily newspaper Pravda said yesterday, the first disclosura by the Soviet Union that it has punished senior officials held responsible for the world's worst civil nnclear accident on April 26.

Mr V. Bryukhanov, the director of the plant, and Mr N. Fomin, the chief engineer, were sacked at e meeting of the Kiev region Communist Party called to discuss the problems caused by the accident. "They did not correctly assess what had happened and take the proper measures to organise efficient work everywhere to bring to an end the conseqnences of the accident," Pravada said.

The newspaper said the two men had failed to provide firm leadership or discipline and showed "irresponsibility and mismanagement," it also disclosed that Mr R. Solovyov, deputy director of the plant, abandoned his post at the tima of the accident and other senior technicians and shift leaders had left the plant.

Pravda said the new head of the plant is a Mr E. Pozdyshev. It quoted him as saying "the goals are clear. The problems are known, and it is time to get on with the job."

The meeting in Kiev also criticised the Communist Party members at the plant, saying they could have done more. In tha immediate aftermath of the accident, it said the party becama over-involved in what was happening at the plant rather than the general situation.

This may refer to heavy criticism inside the Soviet Union and abroad of the slowness of the evacuation and the failure of the local authorities to issue warnings to people in Kiev, the capital of the Ukraine, about the dangers of radiation until 10 days after the accident.

Mr Boris Shcherbina, the head of the commission investigating the accident, has already said that the situation he found at Chernobyl was different to that described to him in Moscow immediately after it had occurred. He strongly implied that local officials had failed to assess the seriousness of what had occurred.

Mr Vladimir Shcherbitsky, the Communist Party leader in the Ukraine and a Politburo member since 1971, has been mentioned seldom in the press since the accident and it is possible that he will be held responsible for the mishandling of tha accident.

But although state and party officials in the Ukraine may have mishandled measures to cope with the accident, diplomats point out that the seriousness of the Chernobyl accident was known immediately in Moscow, since the high-ranking commission to investigate the causes was appointed on the same day as the disaster happened.

## Oslo tax hurdle cleared

By Fay Gjester in Oslo

THE MINORITY Labour Government of Ms Gro Harlem Brundtland, which last month replaced the minority Conservative-led coalition of Mr Kare Willoch, has won the first round of its struggle to stay in office.

In a deal with the coalition's two junior partners, finalised on Saturday, the Labour Government ensured a Storting (Parliament) majority for an emergency austerity apckage—tax increases and spending cuts—needed to cool down the country's over-heated economy.

Mr Willoch's Government resigned when parliament voted against a proposed petrol tax increase. The Conservative Prime Minister had made approval an issue of confidence but lost the vote when the two MPs of the tiny right-wing Progress Party, which usually backed the coalition, voted with the opposition.

A compromise agreed at the weekend and due to be put to the vote tomorrow provides for a rise in the tax on petrol and oil, as well as on beer, wine, spirits and tobacco.

The net tightening effect of the package will be NKr 2.2bn (£279m)

## Tuna price collapse poses crisis for EEC

BY TIM DICKSON IN BRUSSELS

A DRAMATIC collapse in the world price of tuna has created a new fish crisis for the EEC.

Decisions to be taken this week in Brussels look like clearing the way for one of the most expensive support programmes for European fishermen, almost certainly running into "tens of millions of Ecus" according to one European Commission official.

Besides the budgetary implications, EEC relations with West Africa (notably Senegal) are also at stake.

The tuna problem is a further illustration of the increased pressures on the Common Fisheries Policy (CFP) arising from the accession this year of Spain and Portugal (who between them bava doubled tha size of the EEC's fishing fleet).

Tha Commission is already trying to settle a potentially explosive dispute between France and Spain over fishing rights near the French Basque port of Hendaye and elsewhere is embrolled in an international row with Canade in which Iberian boats are principally involved.

European tuna fishing is dominated by Spain and France—jointly they employ about 6,000 in their tuna fleets and account for a little over 10 per cent of world production (itself dominated by the US and Japan).

The support measures likely to be approved this week have been automatically triggered by the relevant section of the CFP.

Fish intervention schemes (the method of guaranteeing a minimum price) exist for many species, but unlike their agricultural counterparts they are generally set at rock bottom prices and cost relatively little. The whole CFP cost a mere Ecu 150m (£95.7m) last year, a tiny fraction of the Ecu 21bn swallowed up by the Common Agricultural Policy.

The tuna regime, by contrast, contains a potentially greater Community commitment in times of distress and was the subject of particularly tough negotiations by the French at last year's price fixing negotiations.

The slide in prices — which began on world markets in mid 1983 and follows a near doubling of production since 1970—only started to hit Europe herd in the last 18 months. With prices denominated in US dollars, European prodncers were initially protected by the strength of the American currency against the Ecu in 1983 and 1984. But between October 1985 and May this year quotes for the most widely traded tuna variety have dropped 35 per cent to Ecu 919 per tonne.

One serious diplomatic effect has been a break in the bilateral fishing agreement between the EEC and Senegal. Due to expire at the end of April, the old agreement was extended until the end of last month, but in the absence of successful negotiations has now lapsed.

The root of the problem lies in a decision by the French to move part of its tuna fleet eway from the overfished waters of the Atlantic to the Indian Ocean, from where they have recently been refusing to meet the Community's obligation to supply raw fish to the processing factories of Dakar. The French argue that the journey is not economic at today's prices.

The Commission, meanwhile, is irritated that it suddenly faces having to support a sector which it feels has generally prospered in recent years. It is anxious to avoid the mistakes of the CAP in encouraging overproduction and is examining ways of ensuring that tuna is not now simply dumped on the Community at inflated prices.

The management committee responsible for dav to day implementation of Community regulations is expected this week to approve the tuna support scheme. Longer term, however, the Commission will be pressing for complete renegotiation of the tuna regime.

## Refaat El-Sayed returns as head of Fermenta

BY KEVIN DONE, NORDIC CORRESPONDENT, IN SWEDEN

MR REFAAT EL-SAYED, the controversial majority shareholder of Fermenta, Swedish biotechnology and chemicals group, is taking back the leadership of the company in the new post of group chief executive.

The move comes only four months after he resigned as managing director when it was revealed he had lied to investors about his academic credentials as e microbiologist.

Mr Ove Sundberg, formerly managing director of KemaNobel, the Swedish chemicals group, who took over as Fermenta managing director in February to try to halt the crisis of confidence in the company, is to remain as managing director of the parent company.

The company is forming e new group executive committee consisting of Mr El-Sayed, who will also remain deputy chairman, Mr Sundberg and Mr Gosta Bystedt, Fermenta board chairman and also executive deputy chairman of Electrolux.

Mr El-Sayed's return to lead the executive management comes only two weeks after the company received the heaviest fine possible from the Stockholm Stock Exchange authorities for numerous "inexcusable" breaches of its listing agreement and barely escaped expulsion from the bourse.

In its judgment on Fermenta, the stock exchange board delivered a stinging critique of the manner in which Mr El-Sayed, as managing director, had issued selective financial information, and of the way the company's release of information had created a "misleading" picture of the its activities.

The stock exchange did not remove the threat of expulsion from Fermenta and said it would re-examine at a later date the company's fitness to remain a quoted company.

The board of the stock exchange said it had stopped short of ordering the expulsion of Fermenta partly because of a pledge from Mr El-Sayed that be would substantially reduce his influence in the company.

## Lisbon sets 4% ceiling on bank interest rate

BY DIANA SMITH IN LISBON

MR MIGUEL Cadilhe, the Portuguese Financa Minister, has forbidden banks to pay customers more than 4 per cent interest on current accounts. The measure follows last mooth's opening of two privately owned highly competitive commercial banks, Banco Comercial Portugues (BCP) and Banco de Comercio e Industria (BCI).

The banks, breaking the grip of nationalised institutions on retail banking, offered interest ranging from 6 to 11 per cent on current accounts with average annual balances of Es 300,000 to Es 1m (£44,000) or more.

The Finance Minister, a prominent figure in a centre-right Government which has regularly vowed its commitment to market forces, claimed that the restrictions on interest were needed to "avoid market turbulence and distortion because there is no existing legislation that grants equal competitive conditions to all banks."

The move has been interpreted as another attempt to protect over-manned, over-branched and financially constrained nationalised banks from the competition new private banks can practise with their automation, small, highly-trained staff, freedom from the bad debts that weigh on nationalised banks, and strong capital base.

Of the eight nationalised commercial banks, only one, Banco Espirito Santo, is highly profitable. The others range from reasonably solid to very weak.

They cannot pay high interest on current accounts and have generally only paid ½ per cent. The Finance Ministry'a move is the second since 1985 that the authorities have sought to weaken competitive pressure on national banks.

# Japan likely to win first slice of $1.4bn shipbuilding contract

BY YOKO SHIBATA IN TOKYO AND ANDREW FISHER IN LONDON

JAPANESE AND Frencb shipyards are competing to huild seven gas ships for an international consortium worth a total of about $1.4bn (£921m) in what is likely to be the world's biggest series of merchant sbipbuilding orders.

The ships will be ordered in stages by Central Shipping Organisation (CSO), the Australian-based consortium whicb will ship gas from Australia's North-West Shelf to Japan.

Japanese yards look ready to win at least the first two contracts for the $200m vessels after tenders from Mitsuhishi Heavy Industries and Mitsui Engineering and Shipbuilding. Kawasaki Heavy Industries is in line for the third contract.

CSO said in Melhourna the first orders for the liquefied naturai gas (LNG) ships would probahly be placed in July. The consortiuma comprises British Petroleum, Shell, BHP, Woodside, Chevron, Mitsui, and Mitsubishi and Co.

Last autumn, CSO asked for tenders for the first two ships. Also in the running are Ishikawajima-Harima Heavy Industries (IHI) of Japan and two Freoch yards, La Ciotat and Alsthom Atlantique.

The LNG will come from Australia's North West Shelf, with about 5.8m tonnes expected to ba transported yearly to Japan from 1989 to 2009. For economic and political reasons, seversl LNG projects around the world bave been shelved in recent years and 23 LNG ships were lald up at the end of 1985.

Tha prospect of the orders, using technology which has overtaken that of earlier LNG vessels, comes at a time of acute crisis in world shiphuilding, with yards around the world contemplating further capacity and joh cuts, or closures.

*The complex LNG ships will* provide a large volume of work for the successful yards. Total world shiphuilding orders have been declining since the tankerbuilding boom of the first half of the 1970s.

**SHIPPING REPORT**

# Tanker sales follow rise in oil demand

BY OUR SHIPPING CORRESPONDENT

TANKER SALES dominated the *second-hand ship market* last week, after the rise in demand for oil triggered off by tha fall in prices. Freight rates remained firm, but showed little further movement.

Galbraith's, the UK shipbroking company, reported an active week for VLCCs and ULCCs (very large and ultra large crude carriers) in the sale and purchase market.

More and more tonnage is being hrought out of lay-np berths around the world and ships which were previously thought to be unsaleahle are now finding huyers.

One such vessel is the Set'bello, a ULCC of 322,400 deadweight tons, three years old and built in Portugal. She is reported to have been sold for around $14m compared with the $50m which she originally cost.

Loews Corporation of the US, which has been a speculative huyer of ships, is now reported to be *taking its first vessel* out of lay-up. The company has also bought a ULCC of 388,000 dwt, the Esso Le Havre for around $12m. This ship has heen laid up for more than three years.

Galhraith's estimated that around 3m dwt of VLCCs and ULCCs was available in the Gulf for June shipments, far less than in previous months before the oil price slide started to boost demand.

These vessels could be ahsorbed fairly rapldly. After rising last month from Worldscale 25 to around Worldscale 35, the rate for a 250,000 dwt cargo from the Gulf to the West bas now settled down.

On the dry cargo market, Denholm Coates, the UK shipbroker, reported little change in the low level of rates. The grain rate from the US Gulf to Japan reached a new seven-year low of $8.50 a ton.

# Concern over Kenyan investment changes

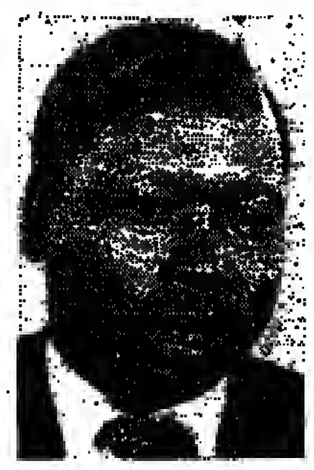
BY MARY ANNE FITZGERALD IN NAIROBI

INVESTOR confidence in Kenya has faltered following a series of policy changes designed to circumscribe foreign business activity. The shift in approach is a radical one for a country whose free-enterprise attitude has made lt e showcase of capitalism in black Africa.

The changes have also unnerved the expatriate business community, who interpret the spate of new regulations as a denial of the key role they hava played in building a post-*independence* manufacturing base.

The move by President Daniel Arap Mol is in response to internal political pressure from an increasingly dissatisfied electorate. There is a iarge pool of Kenyan unemployed and the country has one of the highest population growth rates in the world.

Resentment of the strong European and Asian influence over hosiness activity has intensified as the fortunes of Kenyan Africans have declined. The 70,000-strong Asian community contrihutes about a quarter of economic outout.



President Mal

In the latest reaffirmation of his commitment to place the economy in the hands of African citizens, President Moi decreed on June 8 that foreignars entering into joint ventures must give a controlling interest of 51 per cent or more to indigenous Kenyans.

"As it stands, this clearly won't attract new investment. There is a lot of competition for the same funds and other countries will get them," said Mr Vincent Harding, chairman of the Inchcape Mackenzie group.

Mr Mol's statement is at odds with the country's foreign investment statute. The statute provides no distinction between foreign and national investors in industry, although domestic commercial borrowing regulations favour companies with Kanyan equity.

There are no restrictions on the *percentage of foreign* equity allowed or on capital transfers abroad. Unlike many other African countries, Kenya's central bank sanctions dividend and management fee remittances relatively quickly.

More than 180 multinationals, mainly from Britain, the US and West Garmany, have a $1hn stake in the country.

About half of these chose joint ventures with the puhlic sector, usually in the form of minority participation from one or more state development hanks.

There are few partnerships with African entrepreneurs. Britain underwrites roughly balf tbe foreign investment in terms of value.

Mr Moi bas made several allusions to "indigenisation" in recent speeches. Last week he promised to accelerate the phasing out of the large expatriate workforce and to establish a taskforce to supervise the handover of enterprises to African Kenyans.

Over the past decade the number of foreigners working in Kenya has heen halved to 9,000, the great majority of *whom are in managerial* positions.

It is unclear bow or when the 51 per cent ruling will be applied since no clear guidelines have been issued.

When asked for clarification on the equity ruling, Mr Adam Ali, managing director of the Investment and Advisory Promotion Centre, said: "I don't know anything about it." The state-run organisation is charged with advising potential foreign investors.

Foreign businessmen have expressed fears that the decree will usurp their control over dividend declarations and boardroom decisions. It also dampens incentives for expansion among multinationals operating in Kenya, they said. "The harometer is swinging against ns," commented one company.

Diplomats and businessmen pointed out that the pollcy shift could damage Kenya's chances of long-term recovery. Economists are predicting a $120m halance of payments surplus for 1986 in the wake of exceptionally good coffee and tea recepits, but the momentum for *growth will not be maintained* in the absence of continued capital formation, they said.

Despite the government's desire to attract offshore capital, foreign investments has stalled since the 1970s when a number of multinationals came to Kenya in the erroneous belief they would have a regional market among member states of the now defunct east African communnity.

There was a minor resurgence last year in the oil exploration sector, hut this was offset by the divestment of more than 20 US companies over the past three years.

# Peking in space talks with US company

By Robert Thomson in Peking

CHINESE ASTRONAUTICS officials have discussed with the Hughes Aircraft Company the possibility of jointly developing a satellite launching pad in Hawaii for the launch of US civilian satellites, the official Chinese news agency, Xinhua, reported yesterday.

The report said the unusual proposal was made by the president of Hughes Aircraft, Paul S. Visher, and iovolved the establishment of a launch facility for the use of Chinese rocket carriers and US satellites.

Not surprisingly, with China having just launched itself oo the satellite market, the proposai has received a "positive response" from the Chinese side, and "negotiation on related substantial questions hetween both sides is expected to be held soon," the report said.

An industry observer in Peking said the Chinese would he particularly keen to develop their satellite technology, which is far behind their launch technology, while Hawaii appeals to Hughes as it would give the company much more control than a similar project in China.

Meanwhile, officials of China's Great Wall Industry Corporation (GWIC), an offshoot of the astronautics ministry, and Teresat Incorporated, a New York-based company, announced at the weekend that they had signed a satellite launch reservation agreement.

The agreement covers the launch by China's "Long March Three" rocket of two satellites, Westar Six and Palapa B, which were retrieved from faulty orhits by the US space shuttle in 1984 and are held by Lloyd's Underwriters. Teresat has been negotiating their purchase from Lloyd's.

China has given a discount of ahout 15 per cent to Teresat in a bid to estahlish itself on the satellite launch market

The first of the two satellites is due to be launched in the last quarter of next year, while the second is expected to put into orbit six months later.

However, despite numerous recent statements to the contrary, the deputy general manager of GWIC, Wu Keli, claims that Chlnt does not intend to compete with western countries for Satellite launches.

China has launched 18 test satellites since 1970

# Bush blames Congress on tariffs

BY NANCY DUNNE IN WASHINGTON

US VICE-PRESIDENT George Bush, attempting to defuse trade tensions in Canada, has hlamed Congressional pressure for the Administration's decision to protect US cedar prodncts producers. As if to prove his point, Congres was husy hack in Washington pushing for more tough action against alieged Canadian trade transgressions.

The vice-president said: "Those who are pushing anti-trade measures in both countries are practising the politics of envy—pitting one industry against another, one worker against another, all fighting for a piece of a ahrinking pie."

The Administration imposed stiff tariffs on imported cedar products after a six-month investigation found the US industry suffering, he said. "If we don't demonstrate good faith in enforcing our existing trade laws, we risk inviting sterner medicine from Congress."

Meanwhile, Republican Senator John Danforth, chairman of the international trade subcommittee, was exracting from Mr Clayton Yeutter, the trade representative, a commitment to take a tough stance on Canadian trade policies on printed materials, said to be hurting US exports.

Mr Yeutter said the US would put the issue at the top of its negotiating agenda in the free-trade talks. If these efforts failed be would pursue "whatever additional actions might be necessary" to resolve the dispute, incinding new legislation.

Elsewhere in the Senate, Senator Pete Wilson, a California Republican, asked the Federal communications commission (FCC) to deny Canada part of the US radio spectrum needed for a proposed US-Canadian satellite system.

The Senator complained that US broadcasters were not compensated for re-broadcasts under Canada's copyright laws, and Canada's tax code did not allow advertisers to deduct the cost of commercials placed in foreign markets.

The proposed system requires both countries to allocate the same apectral freqnency, and the Canadian Government has already agreed.

## World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

| | | | | | % change over previous year |
|---|---|---|---|---|---|
| | Apr. 86 | Mar. 86 | Feb. 86 | Apr. 85 | |
| US | 115.2 | 115.0 | 115.7 | 114.3 | +0.8 |
| | Mar. 86 | Feb. 86 | Jan. 86 | Mar. 85 | |
| France | 100.2 | 100.8 | 100.1 | 100.8 | −0.6 |
| Italy | 101.1 | 98.8 | 97.9 | 98.6 | +2.5 |
| UK | 109.3 | 109.4 | 108.1 | 107.6 | +1.6 |
| W. Germany | 102.0 | 106.7 | 106.2 | 101.7 | +0.3 |
| Japan | 120.7 | 121.4 | 121.3 | 118.6 | +1.7 |
| | Jan. 86 | Dec. 85 | Nov. 85 | Jan. 85 | |
| Netherlands | 101.5 | 100.4 | 109.0 | 108.2 | −6.2 |
| Belgium | 105.3 | 104.3 | 109.7 | 98.7 | +6.7 |

*Source (except US, Japan): Eurostat*

# Campaign hopes to end barriers to services

BY CHRISTIAN TYLER, TRADE EDITOR, IN STOCKHOLM

AN EFFORT to mohilise private companies and government officials in tha developing world to the cause of free trade in services is to be made by Western groups of companies.

It was decided after a weekend meeting here to invita Third World representatives to *attend a conference towards the* end of the year, possshly in South-East Asia or Japan.

One aim of the Western groups, hased in the US, UK and Sweden, is to alert companies — in rich and poor countries—to the rapid approch of global negotiations in which trade in "invisibles" may he included.

They want to convince governments bostile to the prospect of deregulation that lt will be to the direct benefit of less daveloped countries (LDCs) and not only to the US, EEC and Japan. It would also, they say, give an extra boost to the world economy of the next decade.

A prerequisite for successful negotiation to remove national barriers is that service companies themselves should understand the suhject better and sbould present a coherent strategy to trade negotiators, leaders of the campaign said yesterday.

The weekend conference was hosted hy the Swedish coalition of service industries and was supported by the US body of the same name and hy the Liberalisation of Trade in Services Committee from the City of London.

Some members said they feared that, without LDC participation, the three groups would be aeen as merely seeking to secure better access to undeveloped markets for strong multinationals at the expense of weaker competitors.

This criticism bas already been levelled at the US by some poorer nations. Largely due to US private sector pressure, the subject is, however, being informally discussed by a group in the General Agreement on Tariffs and Trade (Gatt) in Geneva.

Ministers of the 90 Gatt member countries are due to meet in Uruguay in September to lannch a global trade negotiation. They will again face the controversial question of whether services should be on the agenda for the first time.

# Government still seeking water flotation format

BY RICHARD EVANS

THE GOVERNMENT is facing difficulties in finding a formula for privatising the water industry that will retain the support of the regional water authorities in England and Wales.

The flotation of the 10 authorities, which should produce between £5bn and £7bn for the Treasury, is the most complex and contentious of all the Government's privatisation proposals, and the backing of the industry is essential for its success.

The original intention, once the necessary legislation is passed in the next parliamentary session, was to float the water authorities off separately from the autumn of 1987, probably starting with Thames Water, the largest and most profitable.

Most of the authorities were unhappy with this, however, as it would mean that the less attractive authorities – et least half – could be caught by the timing of the next general election and left in limbo.

A radical option put forward by the Water Authorities Association, the industry's trade body, is for all of them to be floated at once.

The idea, not opposed by the Government in principle, is being explored by merchant bankers J. Henry Schroder Wagg on behalf of the Department of the Environment and Kleinwort Benson for seven of the authorities. No decision will be reached for some time, but the initial findings are not hopeful.

"The logistic problems associated with e multiple flotation are immense. We do not know whether the stock market could cope physically with 10 share epplications, in one, or whether the sheer scale of the exercise will be too big for the market to swallow," said one adviser.

Another option also being examined is to have two or three batches of sales rather than individuel flotations, but this would again mean that some authorities would be privatised before the next general election and others left uncomfortably in the public sector. The latest time that Mrs Margaret Thatcher, Prime Minister, can call a general election is the early summer of 1988.

The majority of water authorities are in favour of a multiple flotation but some, especially Thames, will go along with the idea only if it means no delay for its own flotation.

Mr Roy Watts, chairman of Thames Water, and the most vocal advocate of privatisation among the industry's leaders, argues that the authorities will operate as separate, independent companies after flotation, and should, therefore, be treated on their individual merits.

He fears thet the major problems of debt and capital investment facing some authorities could adversely affect the sale of Thames.

Whatever formula is chosen the Government remains totally committed to privatisation of the industry, despite the difficulties, created by the approach of a general election.

The water privatisation legislation, now being drafted by the Department of the Environment, will be introduced at the beginning of the next parliamentary session in November, but because of its complexity and controversy, it is unlikely to reach the statute book before 1987.

# Airline unions to tackle minister on losses caused by Libya raid

BY OUR LABOUR CORRESPONDENT

UNION LEADERS will today meet Mr Michael Spicer, Aviation Minister, to protest about the impact of government policy on the airline industry.

The meeting, the first held at such a level for several years, follows the decision last month by British Caledonian Airways (BCal) to cut 1,000 jobs in response partly to the repercussions of the US bombing raid on Libya.

BCal suffered from both suspension of its service to Libya and a downturn in bookings on North Atlantic routes as Americans cancelled travel plans for fear of terrorist reprisals. Unions say that the Government, which backed the US raid, should bear responsibility.

Mr Mark Young, general secretary of Balpa, the airline pilots' union, said: "If you are going to start fighting wars against terrorism on behalf of the British people, it's the British people who should pick up the bill."

The unions will today also be raising the industry's more general problems, including over-capacity and the need for expenditure on tighter security against terrorism, and will be questioning the Government's decision to stop BCal reviving the helicopter link between Heathrow (London) and Gatwick airports.

Mr Mick Martin, national aviation secretary of the Transport and General Workers' Union, said yesterday: "One of the things we haven't done enough of is knocking on ministers' doors. This is the first meeting we have had for some time, but it won't be the last."

● BCal is expected to announce on Wednesday that it has easily achieved its target of finding volunteers for 1,000 job losses.

Indications are that as many as 1,300 of the airline's 9,000 employees may have volunteered for severance. This raises the possibility that more than 1,000 will be released, although some of the volunteers will be told their skills are still required.

# NUM membership 'below 100,000'

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS OF the breakaway Union of Democratic Mineworkers (UDM) claimed yesterday that membership of the National Union of Mineworkers (NUM), from which the UDM sprang, has fallen below 100,000 and that accordingly the NUM should lose its seat on the Trades Union Congress (TUC) general council.

The UDM's claim, voiced as delegates gathered in Buxton, Derbyshire, for the union's inaugural annual conference, is the latest in a series of charges about relative membership strengths that the two unions have been making about each other since the UDM's formation after the 1984–85 strike.

The significance of the UDM's latest charge is that its own claimed membership figure is 35,000, which union leaders said would be reflected in the card votes at the conference this week.

Latest National Coal Board figures put total production manpower in the industry at just under 135,000. UDM leaders say this confirms its own soundings within the industry that the NUM'a real membership figure has fallen below the 100,000 mark.

Under TUC rules, e union loses its general council seat if membership falls below 100,000. Loss of an automatic seat would probably deprive the NUM of e TUC place altogether.

The NUM disputes the UDM's figures, however, and claims in return that the breakaway union's membership is not only much lower than it claims, but is falling.

# CBI puts average pay deals at 6.25%

By Walter Ellis

THE AVERAGE level of wage settlements in the UK manufacturing sector in the first four months of this year remained well up on the prevailing rates of inflation. The decline on the 1985 average of 6.5 per cent was only marginal. In the services sector this year, rises averaged 6.75 per cent.

There is little sign so far of the sharply reduced rates of increase which the Government had hoped would accompany recent declines in the index of retail prices.

According to the pay databank of the Confederation of British Industry (CBI), the average for January-April was 6.25 per cent. Inflation, annualised, during the same period averaged just 4 per cent.

Slightly more than one-in-five settlements since last August were fixed at between 4.5 per cent and 5.5 per cent; one in three were between 5.5 per cent and 6.5 per cent, and just under one in five concluded at between 6.5 per cent and 7.5 per cent.

The cost of living, the CBI says, is receding in importance as an upward pressure on pay settlements. Nevertheless, it remains by far the most important factor.

# Times editor urges journalists not to vote for stoppage

BY DAVID BRINDLE, LABOUR CORRESPONDENT

JOURNALISTS on The Times received letters at the weekend from Mr Charles Wilson, the newspaper's editor, urging them not to vote for industrial action in the ballot being conducted this week.

The letters say that a vote for action on the issue of six journalists dismissed last week would be seen by the print unions as support for their "violent" dispute over their exclusion from Mr Rupert Murdoch's News International plant at Wapping, east London.

"Voting for strike action can only prolong the dispute by allowing people on the picket line to believe you would welcome them into Wapping," Mr Wilson says.

He goes on to confirm that an annual pay rise of 10 per cent is on offer to staff of The Times. Journalists on the Sun last week overturned a vote for industrial action after being offered such a rise, but the National Union of Journalists' chapel (office branch) at The Times has refused to negotiate pay before the issue of its six dismissed members is settled.

The letters state: "You will be enjoying some of the best conditions and best rewards in British journalism (the latest step towards that is in this year's annual pay offer of 10 per cent, which has been accepted by other chapels) and The Times will be continuing its voyage into its third century."

Mr Wilson explains in the four-page letters, that the six journalists, previously suspended for their refusal to work at Wapping, have been dismissed on legal advice in view of pending unfair dismissal claims lodged by the 5,500 striking printworkers and by other journalists dismissed earlier in the five-month-old dispute.

The Times' NUJ chapel voted 80-2 last Friday to proceed with the industrial action ballot, which will be conducted by post and counted by the Electoral Reform Society.

The chapel bas been trying to get the issue of the dismissed journalists referred to the government-supported conciliation service Acas. News International is believed not to be opposed to this in principle, but to be resisting it for fear such a reference would lead to Acas dealing with the dispute as a whole.

● Mr Bill Gillespie, whose resignation as Times Newspapers' managing director was announced at the weekend, said yesterday that his departure was unrelated to the Wapping dispute.

Discounting rumours of rifts at senior levels within News International, Mr Gillespie said he had always enjoyed "extremely affable" relations with Mr Rupert Murdoch.

# Bid defence shows £9m Aitken Hume losses

BY TERRY POVEY

AITKEN HUME, the financial services group, is taking a calculated risk that it can win shareholders' confidence with its defence document against the £78m all-share bid from Mr Nick Oppenheim's Transwood Group.

Aitken Hume admits difficulties last year, but argues that it has taken the three critical steps – management has been changed, stringent financial controls (including more prudent accounting for profits) introduced and a new strategy developed which will involve withdrawals from unprofitable areas.

Also revealed will be a £9m series of trading, exceptional and extraordinary losses for the year to March, plus the passing of the final dividend. When the interim results were reported in November, earnings per share had dropped from 13.1p to 1.2p but an interim payout of 2.5p was made.

The defence document contains no profit forecast for 1986–87.

# UK NEWS

## Decision closer on seeds body sell-off

By Andrew Gowers

THE GOVERNMENT will move a step closer to a final decision on whether to privatise the National Seed Development Organisation and part of the Plant Breeding Institute this week when it receives a full report on the issue from Lazard Brothers, the merchant bank.

Its decision, which may come before parliament's summer recess, is awaited eagerly by a number of international companies including ICI, Royal Dutch/Shell and Ciba-Geigy of Switzerland, all of which have expressed an interest in buying at least part of the two organisations.

The possible sale of the bodies has aroused controversy among farmers and agricultural merchants, who believe they should remain in the poblic sector, and deep uncertainty among the PBI's research scientists.

The PBI forms part of the Agricultural and Food Research Council and is funded by the Department of Education and Science and the Ministry of Agriculture to conduct agricultural research as well as plant breeding. It has had considerable success in breeding new wheat varieties. The NSDO – based, like tha Institute, near Cambridge in eastern England – derives 80 per cent of its revenue from producing and marketing seed varieties bred at the PBI.

The Government, which is trying to reduce state involvement in agricultural research, has already decided in principle to privatise the profit-making NSDO and part of the entirely state-funded PBI if the terms are right.

The Lazard study, which has been seen by Government officials in draft form, canvasses a range of options for the sale of the two bodies and the various prices they would be expected to fetch. Neither Lazard nor the DES would comment, but combined sale values of £20m upwards for the NSDO and part of the PBI bave been mentioned in the industry.

It is probable that if the Governmeot proceeds with privatisation it will sell the bodies to a company already involved in the agricultural supply industry and interested in building up its presence in seeds.

## Government may defer local authority reform

BY ROBIN PAULEY

GOVERNMENT PLANS for legislation to put further control on local authority capital expenditure may be dropped, along with plans to abolish rates (local property taxes) until after the next general election and possibly longer.

The early inclinations of Mr Nicholas Ridley, the new Environment Secretary, are not to have any more local government legislation which is not absolutely necessary. He is also determined not to become ensnared in detailed and technical controversies with local councils.

His reticence comes at the same time as growing numbers of Cabinet ministers and Conservative backbenchers are starting to question the wisdom of continuing the prolonged guerrilla warfare with councils in the run up to a general election.

Mrs Margaret Thatcher, Prime Minister, is leader of the shrinking group of Cabinet ministers who want a rapid abolitioo of the rating system. The plans to replace the rates with a poll tax and to replace the business rate with a centrally-set uniform business rate were drawn up by Mr Kenneth Baker, the previous Environment Secretary.

He was always determined privately that "consultation" would be so lengthy that the reform would not take place as long as he was in the joh. But Mrs Thatcher wanted a Bill to finish its parliameotary stages before a general election so that it could be implemented immediately afterwards.

The latest time that the next general election can be called is the early summer of 1988.

Mr Ridley, moving in the same directioo as Mr Baker and other senior ministers, now thinks that the wisest course is to allow the legislation planned for Scotland to be introduced in the next sessioo and implemented after the general election.

England and Wales should be left untouched while the Scottish experiment is watcbed and then, perhaps, it might be replicated io England.

A key factor is that all ministers in the Treasury, a key department in discussions about changes to local government finance, are opposed to the reform and Mr Nigel Lawson, Chancellor of the Exchequer is known to think that the political storms whicb erupt inside and outside parliament over changes to local government finance are more trouble than they are worth.

The long-standing complaints about the extent to whicb rateable values have become outdated are likely to be met in the ease of the business community but agaio not until after the electioo.

Commercial and industrial values in England and Wales are expected to uodergo their first revaluation sioce 1973 in 1990. Although the domestic rates now seem likely to survive, there are no plans for a revaluation of domestic values which have also not been updated since 1973.

The plans for a poll tax were drawn up in response to widespread oppositioo in Scotland to the revaluation which took place there last year. Revaluations do not increase or decrease the total valuation, but they redistribute the rateable burden.

The Governmeot is also having second thoughts about a bill to control local authorities' gross capital expenditure. The bill has already beeo drafted and it was hoped that council capital spending could be cut by up to £1bo a year by giving each council a limit for its gross capital expenditure each year, whether it is funded througb borrowing, use of receipts or creative accouoting.

This would close the loopholes such as the sale of mortgages to banks through whicb councils have managed to breach the existing cash limits.

At ooe stage the Government considered bringing the bill after Easter to eosure that it was on the statute books before the start of the 1987–88 financial year.

## Computerised parts for Austin Rover

BY JOHN GRIFFITHS

NEW COMPUTERISED components and materials handling systems bave been breught on stream by Austin Rover for production of the new Rover 800 car at its plant at Cowley, near Oxford. They will reduce the average time stocks are held from 10 to between two and three days, the company said at the weekend.

Within two years similar systems will be operated for all production at both Austin Rover's Cowley and Longbridge, Birmingham, assembly plants. The intended result is that company-wide inventories will be reduced to £60–£70m compared with £95m now and about £300m five years ago, a spokesman said.

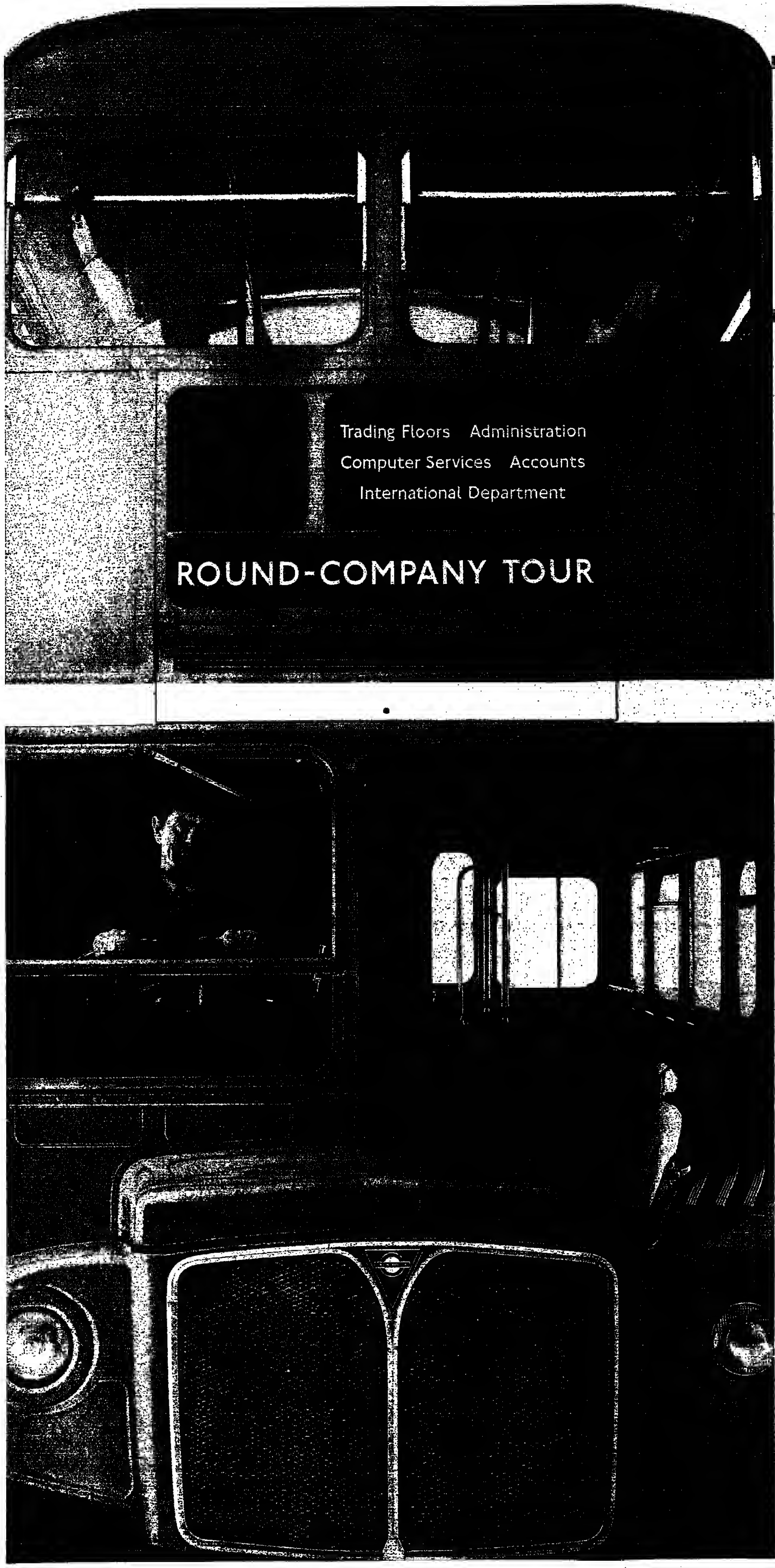
Cowley's Rover 800 systems, based on a distribution centre about a mile from the plant operated by British Road Services (BRS), are also intended to eliminate excessive handling of materials, ensure that components are supplied in point-of-use packaging and provide strict control of all materials movements.

Under the new systems, suppliers deliver ordinarily to the BRS facility, which comprises both distribution centre and 18,500 sq ft (1,700 sq m) of warehousing. The centre is linked to the car plant by computer, and "just in time" delivery of the required parts operated. The parts do not become a cbarge on Austin Rover until they actually enter the car plant.

The warehouse, which has customs clearance, has been installed specifically to handle materials from Hooda for use in the Rover 800 and the Legend, Honda's version which the Cowley plant will start building in a few months' time.

Another system bas been devised for bulkier items, like fascias, under which suppliers will bypass the distribution centre. Instead, they will deliver direct to the plant at precisely determined times, so that they deliver only a few hours of supplies.

The systems should take Austin Rover another step closer to, though still well short of, the Japanese kanban (just-in-time) system of car production. Japanese car plants typically run on just a few hours stocks.




# IS THIS HOW YOU SEE YOUR COMPANY?

The lack of large vacant buildings in the City has forced company after company to divide its operations into a series of offices, often scattered all over the square mile and beyond.

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CANARY WHARF

**It makes sense to go round the bend.**

# UK NEWS

## European cable TV sees 4% growth

By Raymond Snoddy

THE NUMBER of homes attached to cable television networks in Western Europe grew by 4 per cent last year to a total of 11m and the outlook is optimistic, according to a new study published today.

CIT, the London-based communications consultants, in its fourth annual survey of the European cable television industry, forecasts that at the present rate of progress some 16 per cent of European homes – or 21m – will be linked to cable systems within the next 10 years, nearly double the present number.

Around 3 per cent of homes are now on sophisticated cable networks capable of two-way communication. This is expected to rise to 12 per cent by 1995.

CIT estimates the cable business could generate annual capital expenditure of more than $1bn a year by the 1990s, about a third higher in real terms than present estimates of about $850m.

The consultants argue that if the UK is excluded, last year's rate of growth in Europe would actually be 8 per cent. Old cable networks have been closed down in the UK and the development of the new multi-channel cable systems has been much slower than expected.

"If it weren't for the UK figures, Europe would have seen record cable growth last year," Mr Patrick Whitten, managing director of CIT said.

In France, CIT argues, despite ambitious government plans, progress has been slow.

*CIT Research, 1 Harewood Place, Hanover Square, London W1R 9HA.*





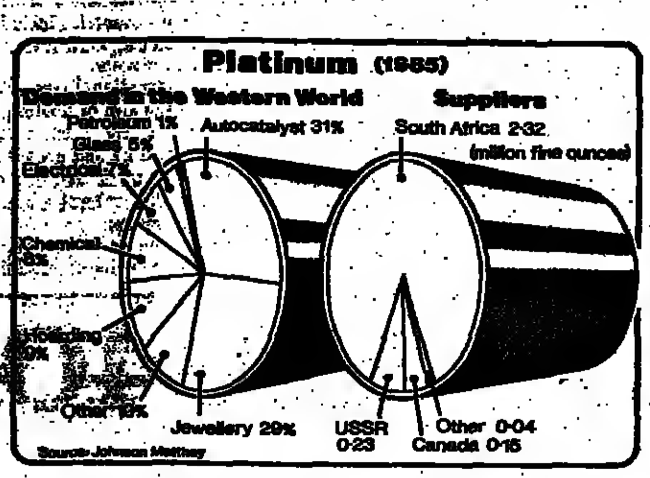
Gold has been left trailing as an investment target, says Stefan Wagstyl

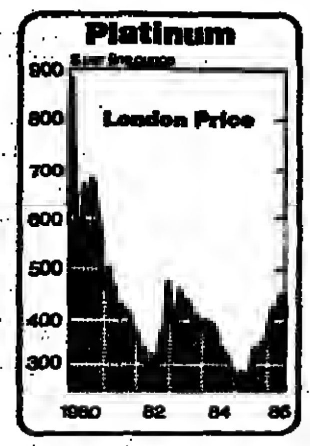
## Speculators build platinum hoard

INVESTORS are hoarding record amounts of platinum in response to the increase in political unrest in South Africa, the world's largest producer.

This unprecedented growth in investment demand could bring important changes in a market which, unlike gold, has traditionally been dominated by industrial consumers of metal.

Speculative investors – that is private individuals and fund managers – have played a large part in driving up platinum prices by 31 per cent since the beginning of the year to $449m an ounce at the end of last week. After trading at a discount to gold – the classic precious metal for investment – for most of the 1980s, platinum has this year left gold trailing in its wake. On Friday it closed in London at a $101.25 an ounce premium.




The amount of metal sold for investment in the form of small bars and coins rose by 50 per cent last year to 280,000 ounces and has increased still further in 1986, according to Johnson Matthey, the precious metal company which markets platinum from Rustenburg platinum mines the biggest producer.

Investors have also been busy in the platinum futures market at the New York Mercantile Exchange, which has only one small rival in platinum, at Tokyo. Turnover for the first five months of this year was about 150 per cent higher than in the same period last year. Mr Fred Demler, metals analyst with the Drexel Burnham Lambert financial services house, says: "There has been some very good retail investment activity."

Johnson Matthey estimates that hoarding by investors, which was negligible before 1982, accounted for 9 per cent of last year's Western world platinum demand of 2.8m ounces. Traders believe that this year the proportion could be considerably higher.

Rising prices have already hit one important group of traditional platinum consumers – Japanese jewellery makers. Jewellery last year accounted for 29 per cent of the platinum market – and the Japanese, who prefer the white metal to gold – bought 80 per cent of it. This year, they are buying much less.

Japanese platinum imports fell 22 per cent in the first four months of 1986. Gold imports were sharply up – partly for the minting of a coin to mark the 60th anniversary of the reign of Emperor Hirohito, but also for jewellery.

But jewellery is the exception. Platinum consumers in other industries are unlikely to cut back consumption significantly, because they use the precious metal in tiny amounts in their products. The biggest buyers are vehicle manufacturers who need traces of platinum in catalytic converters for exhaust systems.

About 2 grammes of platinum goes into each vehicle. In the chemical, glass, electrical and petroleum industries the cost of platinum is equally small in proportion to the total cost of the equipment in which it is used.

Industrial companies are not blind to the potential threat to supplies from the unrest in South Africa. Events earlier this year at Impala Platinum, the second largest producer behind Rustenburg, showed what might happen. Production was seriously disrupted when management sacked 24,000 workers in response to a (non-political) strike.

But the producers are adept at gearing production to industrial demand and satisfying long-term contracts, even at the price of buying in the market themselves.

Industry there seems confident enough about its supplies. Mr Joe Stevenson, operations director of Johnson Matthey, says consumers are probably allowing stocks to rise modestly, but there are no signs of deliberate stockpiling.

Perhaps industry is taking a lead from government. Western governments have not rushed to accumulate strategic reserves – the US Administration is still considering controversial plans put forward last year to run down stocks of various metals including platinum.

More importantly, it seems that industry is not short of platinum, although last year demand exceeded supply by some 100,000 ounces and traders expect another shortfall this year.

In the five years to 1984 there was, according to Johnson Matthey, a surplus of 800,000 ounces. Traders do not quarrel with these figures.

Clearly if political unrest drives investment demand still higher, industrial consumers will start to doubt the assurances of their South African suppliers and start building up stocks.

But there is another side to the argument. If unrest should subside, investors may want to sell metal and return to stocks and bonds. Traders estimate some 700,000 ounces of metal is now in the hands of investors – that is three months supply for the Western world.

The possibility of this metal returning to the market cannot be ruled out, however remote this seems today, the tenth anniversary of the Soweto uprising.



## Heathrow duty-free sales 'largest in the world'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

LONDON'S HEATHROW airport has the largest duty-free sales of any airport in the world even though the range of goods on offer there is less extensive than elsewhere, a new report published by the Mintel research group says.

Heathrow had duty-free sales of £69.8m in 1984, the last year for which figures are available, compared with £57.7m for Changi airport in Singapore and £55.8m for Amsterdam's Schipol airport.

Duty-free sales at Heathrow of an average of £6.14p a passenger were, however, the lowest of the three airports. Total retail sales at UK airports, according to Mintel, reached £200m last year compared with £160m in 1984. Duty-free sales on board aircraft, boats and hovercraft added a further £130m to the total.

Consumer research carried out by Mintel shows that customers are unhappy with airport shopping. Less than half of a special survey of 940 adults thought that they were getting value for money from duty-free shops.

Almost a third of those in the survey complained that the stores were too crowded, while 19 per cent said that there were not enough check-outs.

Mintel says that airport retailers cannot fail to prosper in future with an anticipated 4 to 6 per cent increase in air passengers per year until the end of the century.

"Concessionaires with airport retail outlets benefitted from a captive market with an upmarket profile and with higher spending capacity than the average retail shopper," the report adds.

"Assuming that they can supply these consumers with products that they want, then high profits can be made even though a large share goes to the airport owner."

*Retail Intelligence-Airport Retailing: Mintel Publications, 7 Arundel Street, London, WC2; price £445.*

# UK NEWS

## Raleigh plans to ride into the biggest cycle market

RALEIGH, the UK company that took the bicycle to the British Empire in the early part of this century, is now seeking to break ioto the biggest market in the world – China, Arthur Smith writes. "They make 28m bikes a year. It is the main form of transport," enthuses Mr Eric Thomas, commercial director of Raleigh International.

The company will offer the same style of cycle that has proved so successful in the developing oations. It is given the unofficial name of The Donkey because it is regarded as a beast of burden; instead of riding the cycle, an owner is just as likely to place a bale of straw oo the saddle and push.

Mr Thomas says: "You only have to stand by the wide roads around Peking to see the potential – 90 per cent of the traffic is bikes." He leaves for China next month with the aim of negotiating a contract under which Raleigh would sell its expertise in design, manufacture, sales and marketing. Assembly of 3m Raleigh cycles a year in China is seen as "realistic."

Raleigh has long had its eyes on the China market, but it is only in recent years that the possibility of a trade deal has opened up. Competition for business is fierce with the main cycle assemblers from the US and Europe also seeking a presence.

But Mr Thomas believes that Raleigh will be first. After introductions made in China over the past year, a seven-man delegation from a province in the south of the country spent two days last week inspecting Raleigh's production facilities at Nottingham. Success in China would be only the latest in a string of deals concluded recently by Raleigh with countries including Mexico, Indonesia, Zimbabwe, Pakistan and Venezuela.

Raleigh International was set up in 1979 with the aim of holding, regaining or winning markets that would otherwise be lost because of factors such as tariff barriers, currency difficulties or local manufacturing requirements.

The role of the international company is to seek business in all markets that cannot be served through direct exports from TI Raleigh, the manufacturing company, at Nottingham

The Nottingham factory is pushing through radical changes in production methods and work practices. Annual output, at about 1m, is half the level of a few years ago. Productioo bas been cut as sales have been squeezed under the pressure of bigh interest and exchange rates and the loss of direct exports to the traditional markets of the Third World.

By contrast, Raleigh International, in the period in which UK manufacture has been shrinking, has been growing. The company now operates in 26 countries either through fully or partly-owned subsidiaries or licensees.

TI does not give a breakdown of profitability within the Raleigh group, but the international company is thought to have expanded trading profit from some £1.5m in its first year of operation in 1979 to about £5m.



## Accountant to press tin traders' claims

BY JOHN GRIFFITHS

MR MICHAEL ARNOLD, the senior partner of accountants Arthur Young who acted as receiver of the National Union of mineworkers' sequestrated assets, is to lead a tin traders' group set up to try to recover funds they allege they are owed as a result of tho collapse of the International Tin Council (ITC).

The group of 11 traders are seeking £300m in compensation from the Government and other ITC members arising from the collapse of the ITC last year with debts of £900m.

The appointment of such a prominent figure as Mr Arnold represents the latest step in a publicity campaign by the group to focus attention on its grievances. Other actions have included tho hiring of a public relations agency, Broad Street Associates, and another agency, GJW Government Relations, as consultants in its lobbying of Government.

Mr Arnold is expected to explore a number of possible avenues for redress, including legal action, on behalf of the group, which has given itself the name of Tinco Realisations.

His appointment also follows publication last week of the House of Commons trade and industry select committee report to the Government oo the ITC collapse and its aftermath.

Tinco is expected to make maximum efforts to publicise its case between oow and a Commons debate

## Company Notices

# THE WEEK IN THE COURTS

## French turkey case provides a pointer

THE GOVERNMENT may be very keen, as this column reported last week, to persuade the Court of Appeal to reverse the recent decision of Mr Justice Hodgsoo in which the judge held, innovatively, that the courts do have jurisdiction to grant the citizen interlocutory or final injunctions in caaes where the actions of administrators in central government are being challenged.

However before the Government's lawyers *leap* into the fray, they may see some advantage in acknowledging that, exceptionally, the Crown should be subjected to an injunction pending the final determination of an issue between the Crown and the citizen.

By being told to stop what it is doing unlawfully the Crown may actually save large sums of money in damages if at trial it is held to have exceeded its statutory powers.

The argument that there is now in the field of public law an effective remedy against the Crown, other than a claim for damages, may promote power*fully* the *settlement of a case* that is currently awaiting a House of Lords bearing.

*Bourgoin* S.A. *and others v Ministry of Agriculture, Fisheries and Food [1965] 3 WLR 1027* is known as the French turkey case. Bourgoin produces frozen turkeys and turkey parts in France, and had been importing them into the UK for sale and distribution during the late 1970s under a geoeral licence granted by the Ministry of Agriculture, Fisberies and Food.

In September 1981 the ministry, purporting to act in the interests of preventing the spread of Newcastle disease, a contagious disease affecting poultry, revoked the licence and replaced it with one that had the effect of prohibiting the importation of turkeys and turkey parts from France.

**In the English courts Bourgoin established its right to claim damages**

The case was taken by the EEC Commission to the European Court of Justice, where it was held in July 1982 that the UK's withdrawal of the licence bad contravened article 30 of the EEC Treaty, which guarantees the free movement of goods within the Common Market. The ministry then issued a licence which permitted the resumption of such importation from November 1982.

Had the French prodncer been able to obtain an injunction against the Crown in September 1981 tha Crown might have been spared the possibility of having to pay damages for the period July to November 1982. Instead Bourgoin bad to issue a writ claiming damages, alleging that the withdrawal of the licence and the Ministry's refusal to permit turkey imports had caused it substantial losses.

If Bourgoin had started its *action in the English* courts in September 1981, instead of leaving the EEC Commission to bring the case to Luxembourg first, and if an English court had granted an interlocutory injunction pending the determination of the issue before the European Conrt of Justice, the Crown might bave saved itself the risk of an award of even larger damages.

When the case came to the English courts Bourgoin succeeded in establishing its right to claim damages. Mr Justice Mann noted the frailty of the remedy of declaration against the Crown—namely, that the court could not grant an interim declaration and was also debarred (as he found, traditionally) from granting any injunctive relief.

He therefore concluded that the only effective remedy available to the citizen who suffered losses as a result of the Government's breach of its duty under EEC law was to be awarded damages.

Had Mr Justice Mann adopted the course taken by Mr Justice Hodgson, he would almost certainly have decided that the Government was entitled to argue that there was an effective alternative remedy available to Bourgoin. As the case for challenging the Government's action in withdrawing the licence in September 1981 was in the field of public law, that would bave *been the* appropriate route for Bourgoin to have taken.

When the case came before the Court of Appeal last summer the debate was between tha exclusivity of an application for judicial review for a declaratioo that the Government had *acted beyond its legal powers*, and the right to bring an action by writ for damages for breach of statutory duty.

**Courts have power now to grant interlocutory injunctions in exceptional cases**

The majority of the court (Lords Justices Parker and Nourse) held that a breach of article 30 would give rise only to the procedure of judicial review, a declaration as to the invalidity of the measure of September 1981 constituting the breach, but would not give rise to a claim from damages.

The reasoning for that finding was that the challenge to the administrative action was to be *regarded* as one that *affected* the nature of the making of the invalid order, or one made in excess of power.

In sbort, the challenge fell within the scope of public law and outside private law.

Lord Justice Oliver (as he then was) held that once parliament had accepted, as a *matter of policy*, the principle that the jurisprudence of the EEC is to be received and applied by English law, the enforcement of *rights* established in Europe should be fully extended to national courts in accordance with the opinion of the European Court.

That legal debate could reasonably be decided either way in the House of Lords. Accordingly, the two sides have been *negotiating* to settle the claim.

For the purposes of those negotiations the government lawyers might conveniently point out to Bourgoin'a lawyers that, because there was an effective remedy available to Bourgoio other than a claim for *damages*, the *attempt* to reverse the Court of Appeal's decision and reinstate the decision of Mr Justice Mann is unlikely to meet with success.

*It* may be that when those same government lawyers come to consider the Crown'a stance in relation to the judgment of Mr Justice Hodgson, they will have second thoughts. Better to leave the state of the law as it is, secure in the knowledge that, while the courts do have power to grant interlocutory injunctions in public law cases, they will exercise that power only in exceptional cases. Tne French turkey case might bave been just that exceptional instance.

**Justinian**

**INSURANCE**

## Conflict of views over future structure of Lloyd's

**John Moore** reports on how the size of operators in an *insurance market may change*

NEW EVIDENCE that the structure of the Lloyd's insurance market is changing emerged last week with the news that the number of underwriting agencies operating in the market is likely to fall.

Mr Alan Lord, Lloyd'a chief executive, said the number of underwriting agencies operating at Lloyd's might be about 240 in the future compared with the 338 that have operated in the market in the past. He said it was unlikely that very large or "mega ageocies" would be created by the changes.

Mr Ian Hay Davison, the former chief executive of Lloyd's, expressed a rather different view at a London confrence last week. "The likelihood *of a further* conceotration of underwriting power at Lloyd'a in the bands of a few large agencies must be a reasonable anticipation over the medinm to long-term."

The regrouping of the agency system at Lloyd's represents the biggest structural upheaval in the market's history. The changes have been caused by the 1982 legislation requiring insurance hrokers at Lloyd's to sever their shareholding links with managiog agency companies, which run underwriting syndicates at Lloyd's by the middle of next year.

The objectives of this divestment legislation, adopted at the insistence of parliament, were:

● To remove conflicts of interest existing between the 285 Lloyd's brokers, which buy insurance on bebalf of clients, and the agents, which run syndicates, and which in turn sell insurance.

● To ensure that Lloyd's retained its market identity rather than becoming a broker-managed underwriting pool.

● To provide enough checks and balances in the structural relationsbips between brokers and underwriters to protect the underwriting members, who are grouped into syndicates, from abuses.

In all 114 agency companies at *Lloyd's* were faced with a divestment problem. They managed 308 syndicates, accounting for 71 per cent of the total underwriting capacity. The hulk of the affected agencies bave already completed divestment from insurance brokers.

So far 162 agencies within the market bave re-registered as part of raised standards set by Lloyd'a to improve capital adequacy of underwriting agents, the underlying quality of management, and to ensure that the new ownership rules are observed. The number registered is expected to rise to 240.

Mr Davison agreed with Mr Lord when he said many dropping out represented either the termination of shell agencies, the results of mergers or a general tidying up of corporate structures.

In drawing up rules for the market's divestment programme Lloyd's has *insisted* that the management power of the ageocy system resides with those who work io the market. This has deterred outside capital from coming forward to invest in the agency system and divestmeot has been achieved largely through management buy-outs.

This has placed the agencies nnder pressure as they have looked to find the necessary managemeot skill and the finance to satisfy Lloyd's requirements. This in turn has led to mergers between agencies with the result that a bandful are becoming more powerful.

At the same time the brokers still retain considerable influence in the underwriting fortunes of the market. The brokers are allowed to own agencies which introduce new members to Lloyd's. According to Mr Davison, of the 10 largest members agencies at Lloyd's, which together account for 33 per cent of the market capacity, seven, accounting for 21 per cent, are broker controlled.

"Although formally separrated," said Mr Davison, "the brokers are not without influence." He argued that tbe refusal of the Lloyd's ruling council to countenance a formal limitation of the size of a broker member agents' share of any *syndicate, whlcb was considered*, means that the threat to withdraw members from that syndicate, and therefore capacity, "can be a potent one."

*The financial weakness* of some agents, no longer hacked by a powerful brokiog parent, "must mean that they are less well able to withstand broker pressure, should it ever be supplied.

"Althongh divestment is, of itself, a perfectly proper policy it does not attack tbe real problem: the abuse of the Interests of the names (the underwriting members) by their agents," said Mr Davison.

The divestment issue *ignored* a problem which surfaced after the Lloyd's legislation was passed. Late in 1982 it emerged that a few agents bad plundered the *funds* of their underwriting members and had put their own interests as agents, according to Mr Davison, "improperly abead of their duties to their names."

Ian Hay Davison: "further conceotration likely"

A few agencies are becoming substantial business operations. Some are seekiog stock market listings. Already there has been considerable discussion in Lloyd's of how tbe interests of shareholders and the interests of underwriting members of an agency, whicb are not identical, can be reconciled without creating further tensions which could lead to abuse.

Ironically, legislation which was designed to curb abuses in the *Lloyd's market, and* protect Lloyd's as a market place, may have created a wide range of future problems.

pointer

f Lloyd's

## INTERNATIONAL APPOINTMENTS

# Heads of linked interests at Wartsila and Valmet

BY ANDREW FISHER

WARTSILA AND VALMET, the Finnish companies which are to merge their shipbuilding and paper machinery interests, have named the two men who will head the new operations. One is from outside, the other already an executive with Valmet.

Mr Pekka Laine, 49, has been appointed as managing director *of the shipbuilding company.* His background is chiefly in the paper and furniture industries.

Wartsila, a quoted company, will have a 70 per cent stake in the shipbuilding operation, which is being formed to combine the resources of the two groups at a time of severe crisis in world shipbuilding.

Finland has survived the worst of the crisis by specialising in cruise, ice-breaking and other ships. But the Soviet Union, its major customer, is being hit by lower oil prices and other countries are competing harder for orders.

Mr Laine, now managing director of the *Tervakoski* paper company, will take up his new post on September 1. With shipyard order books shrinking, the companies have said their joint workforce in the sector will fall by some 4,000 to 6,000 in the next few years.

The paper machinery sector, by contrast, is expanding, with the amalgamation aimed at increasing the companies' thrust in world markets. Appointed to run the new company, of which state-owned Valmet will own 65 per cent, is Mr Jori Pesonen, 60, already chief executive of Valmet's paper machinery group.

*Mr Tor Stolpe, president of* Wartsila, will be chairman of the new shipbuilding company, while *Mr* Matti Kankaanpaa, president of Valmet, will chair the paper machinery operation.

## Kodak sets up new structure

By Our Financial Staff

EASTMAN KODAK, the Rochester, New York photography and chemicals concern which last autumn lost a long-lasting patent battle with Polaroid, the Massachussetts-based maker of instant cameras and film, has formed an office of the chief executive, it is announced by Mr Colby H. Chandler, who is chairman and chief executive.

Mr Chandler will be joined in the office by Mr Kay R. Whitmore, who is to continue as president and assumes the additional title of executive officer, and by Mr J. Phillip Samper, who becomes vice chairman and an executive officer.

The three are to share responsibility for the company's five main divisions and other parts of the company.

Mr Samper was previously executive president and general manager of the photographic and information management division.

## New chairman for White Consolidated

MR ANDERS SCHARP, president and chief executive of Electrolux, the Swedish durable goods manufacturer, is to succeed Mr Ward Smith as chairman of White Consolidated Industries, the Ohio-based home appliances concern, on July 31, reports AP-DJ from Stockholm.

The Swedish group this year purchased White, for $743m. in a move that makes the Swedish concern the largest white goods company in the world.

Mr Smith, who will continue as a consultant to White, said that his retirement "should in no way suggest that I have anything but the highest regard for the Electrolux management." His decision had been taken for personal reasons.

Mr Donald C. Blasius is to continue as chairman and chief executive at White's home products group, and Mr John B. Schulze president of the industrial products division.

## Move at American Can

MR HOWARD LOMAX, chief financial officer of American Can (UK) at Congleton, Cheshire, since 1980, has been appointed vice-president finance, food/general and meat packaging for American Can Company in Greenwich, Connecticut. American Can has interests in financial services and retailing, as well as packaging.

He is succeeded as finance director of American Can (UK) and its TRIFID Software subsidiary by Mr Bob Speight, 36.

* * *

MR AAD DE RUYTER has been appointed managing director of John Brown Engineers and Constructors of the Netherlands. The company is part of the UK engineering group of the name. It provides engineering and construction service for the energy, polymer, pharmaceutical, food and chemical industries.

Mr de Ruyter was before joining John Brown in 1984 managing directors of NEM, the Dutch construction company.

He succeeds Mr Harvey Rosenfeld, who is now president of John Brown Engineers and Constructors in the US, but who remains an executive member of the board of the Dutch offshoot.

* * *

SALOMON BROTHERS, the Wall Street securities house, has announced that Mr Jean-Charles Michel Guité has joined its stock research department as a vice president covering telecommunications equipment.

* * *

DIE ERSTE Oesterreichische Spar-Casse-Bank, Vienna, has appointed Mr Gyles Cooper representative and general manager *of its office in London,* the opening of which, on a representative basis, has lately been announced.

The office is the third of its kind opened by the bank, otherwise known as First Austrian Bank, coming after those in Sydney, Australia, and Vicenza, Italy. Mr Cooper has joined the bank from the Chemical Bank International, which has a New York base.

## Marketing jobs at McDonnell Douglas

MR VES ZOMMERS, 52, has joined the Douglas Aircraft Company division of McDonnell Douglas, the US aircraft-based group, as director of commercial marketing, Europe, and Mr Lewis V. Dileo, 59, formerly director of marketing, advanced products, has been appointed director of international marketing, South Asia.

Two other Douglas marketing directors for Europe, Mr Werner Siegenthaler and Mr James Hennessy, remain in place.

Mr Zommers has moved to Douglas from the Boeing Commercial Airplane Company, where he served for 28 years in flight training and marketing, most lately as director of marketing for central, northern and eastern Europe. The new position involves Mr Zommers supervising European commercial marketing north of Italy, as well as in Turkey and Israel.

Mr Dileo joined McDonnell Douglas in 1954 as a draughtsman. He has, latterly, served in several positions, becoming director of marketing, advanced products in 1982, and focusing on defining airline requirements for the proposed MD-11 advanced wide-cabin Tri jet. Mr William C. Messecar, 46, assumes Mr Dileo's former post.

## New York SEC move

MR IRA LEE SORKIN, the director of the New York Office of the Securities and Exchange Commission, the US regulatory agency, has announced that he plans to step down on September 30 to return to private legal practice, after two years with the Commission.

Mr Sorkin is to join the private firm of Squadron Ellenoff, Plesent and Lehrer to concentrate on civil and criminal litigation.

## Senior changes at Israeli Bank

BY LYNNE RICHARDSON IN TEL AVIV

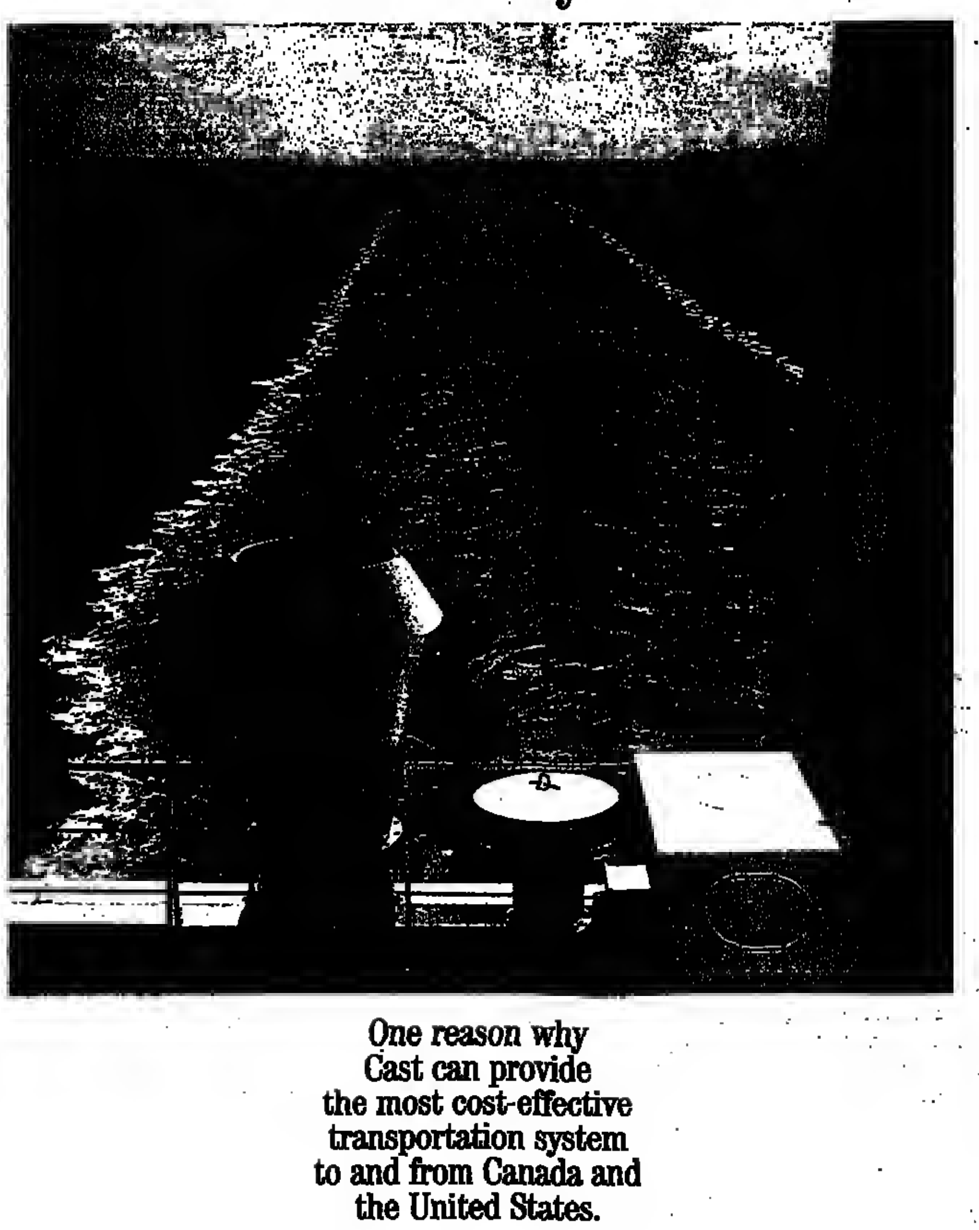
FIRST INTERNATIONAL Bank of Israel, which recently changed hands, has announced moves in its senior management.

Mr Zadik Bino, who has been managing director since 1980, becomes chairman, and his place is taken by Mr Shalom Singer. At 40, Mr Singer will be the youngest chief executive in Israeli banking.

A 51 per cent stake in FIBI was acquired in March by an American industrialist, Mr Jack Nasser, for US$21m. The bank, although small, with a total balance sheet of around US$2.3bn, has shown consistently good returns and was not involved in the share support scandal which caused the spate of recent resignations of leading bankers in Israel.









High-flying conglomerates challenge two of Britain's engineering companies. **David Goodhart** (left) and **Charles Batchelor** report

# Tomkins tries to open the valves of change

"I THINK it will be very close but we will just keep our independence," said the young production manager above the din of Pegler-Hattersley's domestic valve works in Doncaster.

The admission suggested that the dismissive attitude of his more senior colleagues to F H Tomkins "cheeky" £190m bid—which closes tomorrow—was not a true reflection of behind-closed-doors discussions in the company.

The valve and tap empire formed in 1968 by the marriage of Pegler's of Doncaster to Hattersley Brothers of Ormskirk—both established at the turn of the century—has been quaking.

"Still, I don't think there's very much more Mr Hutchings (the Tomkins chief executive) could squeeze out of us here even if be did win," he added.

It is a view which has been echoed in the City. Despite the valve maker'a traditionally sleepy image and its flat profits record, the story of a newly dynamised management poised to reap the rewards of heavy capital investment has taken root.

But are those roots deep enough? Tomkina with its impressive, if short, record for improving the performance nf dull companies has certainly drawn blood.

Pegler argues that because it maintained profits and dividends through the worst of the recession it has not been able to create the "bounce-back" effect. Its strategic decision to keep its concentration in valves mey have been correct but the plateau upon which profits have rested for three years has not helped its reputation. Neither have several mis-timed acquisitions.

Tomkins earnings per share have grown by 33 per cent annually over the past five years—Pegler's earnings per share grew by less than 1 per cent a year in the four years to March 1985. And why, asks Mr Hutchings, when he has a 5 per cent personal stake in Tomkins does the Pegler board bold fewer than 20,000 of its company'a shares?

Polnt scoring aside, what can Tomkins offer? Mr Hutchings makes no pretence about synergy. His ls an unashamed conglomerate making fasteners, motor components, grass-cutting equipment and even safety footwear. By contrast, although Pegler is a holding company, 75 per cent of its output is valves and 90 per cent is fluid control equipment.

That does not deter Tomkins. Like us, says Mr Hutchings, they are involved in the manufacture and distribution of industrial products. Neither is size difference to be feared. Pegler has a turnover of £178m and in the year to the end of March made a pre-tax profit of £21.6m.

Tomkins in the year to the end of April 1985 made pre-tax profit of £3.52m on turnover of £35.8m. It is predicting a doubling of pre-tax profits this year to £7.1m, but is still on most counts less than half the size of Pegler.

However Pegler is a group of 22 companies and, says Mr Hutchings, only two or three of those are bigger in output and employment terms than the largest Tomkins unit.

Pegler sells 30 per cent of its turnover abroad in the more "political" industrial and commercial (as opposed to domestic) markets. Tomkins does little

**PEGLER-HATTERSLEY**
**(To end March, 1986)**

| | Turnover (£m) | Profits (£m) |
|---|---|---|
| Building products | 62 | 6 |
| Valves | 48 | 6 |
| Industrial products | 18 | 1 |
| Distribution | 59 | 4 |

*Excludes overseas earnings*

exporting but, says Mr Hutchings, many of his senior team have widespread international experience.

So, Pegler may be a bit bigger but it fits tha Tomkins acquisition model perfectly: a steady company making mediocre profit with room for improvement and limited vulnerability (through its spread of markets).

And the key to its transformation is the Tomkins (indeed the classic mini-conglomerate) management style: decentralisation, results-related management pay systems, and tight financial control. Mr Hutchings waxes eloquent about the application of these simple ideas to the seven GKN subsidiaries acquired last year. "We went in and told the management that if they achieve X above budget then they stand to make Y in bonus and it worked. Wa also made them segment their markets far more carefully so they had a better idea where they were making and losing money."

There are two problems with resting so much of the Tomkins' case on its management style. The first is that Pegler has many of these familiar techniques in place already. Managers can now earn up to 35 per cent of salary from performance-related bonuses. All subsidiaries have their own boards and a fair amount of independence, they also have monthly financial reporting disciplines (although these are criticised for their wooliness by Mr Hutchings).

The second is the question of scale. It seems reasonable to assume that it is easier to provide the sort of leadership and motivation that Mr Hutchings speaks of in a relatively small company like Hayters (acquired in 1984 for £4m) or in the previously neglected subsidiaries of a very large one.

A degree of bureaucracy is inevitable in a company the size of Pegler employing 4,500 people. Tomkins may be right to stress that the problem is compounded by a hang-over from the days of "production led" management. (It is certainly the case that several of Pegler's senior managers appear to have only the haziest notion of the company'a market shares—and one board member had a radically inaccurate guess at the number of redundancies the company has made over the past seven years.)

Nevertheless, the evidence does now point to a belated spurt for growth. "We are just coming good" is a familiar defensive cry during a bid but Pegler does have some of the figures to back it up.

Over the past three years it has invested just under £20m—over £5m of it in the European valve industry's first Flexible Manufacturing System. The FMS is due on stream in December after which its four supervisory workers should produce as much as 40 do currently. Robotics and CNC (computer-numerically controlled) machines have already cut a swathe through the workforce which has fallen from 7,200 in 1979 to about 4,500.

Investment alone is not enough, but the recent management changes at the very top and the new emphasis on spotting middle management talent should ensure that the investment is not wasted. With the help of Mr Richard Soper, the new marketing director, who came from Worcester Engineering, the company is also trying to prove that it can become "market led."

Mr Graham White, the managing director of the Pegler company in Doncaster, says the battle for market share is being won against the Italians and Taiwanese. "Four years ago we lost the common stop-cock to the Italians. Now people are buying it from us again," be said. Output of taps, radiator valves and compressors is 12 per cent np on last year at Doncaster.

Although four out of five homes in the UK have a Pegler-Hattersley prodnct, the market is a static one susceptible to squeezed margins. That is forcing the company to look harder for the growth niches especially at the electronic end. It also makes innovation especially important and Pegler can boast that 25 per cent of its products are new or remodelled over the past three years.

Why, asks Pegler management, should Tomkins sweep in and scoop up all this potential improvement simply through timing its bld well? If Tomkins is committed to retaining the existing manegement save a few board members why not let the present team get on with it and prevent any dilution?

There is also, they add, the danger that the company's equilibrinm could be harmfully disrupted by the inevitable dislocation of a takeover. And that the hefty investments and expensive specification teams vital to market leadership could be reduced by Mr Hutchings.

But the danger for Pegler is that there mey be sufficient investors who feel Temkins cannot fail to reap the rewards which are already imminent—and may just do a little better. There are alreedy plenty of hard-core fans ready to support that view even if some privately wish Mr Hotchings had bitten off something slightly smaller before aiming for Pegler.

Gregory Hutchings: no pretence about synergy

# Specialist faces an all-rounder

MR FRED SMITH, chief executive of APV Holdings, the specialist engineering group, and Mr Barrie Stephens, his counterpart at Siebe, the more diversified safety products and engineering company, are well-matched adversaries.

Mr Stephens, a stocky figure, may be more given to far-reaching visions of his company's place in the industry than Mr Smith, a crop-haired, square-shouldered Australian, but both men exude an unusual determination to succeed.

Mr Stephens's ambitions for Siebe to develop into a broadly-based engineering empire prompted e £220m bid for APV and have plunged the two companies into a hard-fought takeover campaign.

The arguments both sides have been putting forward over the past seven weeks go to the heart of a growing debate about the role of the mini-conglomerates which have been cornering e larger share nf the engineering market through a series nf takeover bids.

Siebe bas expanded rapidly over the past five years from its base in diving and breathing epparatus. A quick-fire programme of acquisitions has brought in protective clothing, garage equipment such es lifts and lubrication gear, and power station cabling supports.

The purchase last year of Compair pushed Siebe into third place in the world league of compressor equipment makers—after Ingersoll Rand of the US and Atlas Copco of Sweden — boosting 1985-86 profits to £33m and turnover to £372m.

APV, by contrast, has concentrated to a greater extent on the brewing, dairy and pharmaceutical industries it began serving in 1910 when it was set up as the Aluminium Plant and Vessel Company. It supplies process and control equipment to the food and beverage industries and claims world leadership in homogenising equipment and in freezers and packaging machinery for the ice cream industry. After hitting a difficult patch in the early 1980s APV doubled its profits to £15m in 1985 on sales of £409m under a revitalised management headed by Mr Smith.

Siebe argues that its expertise in the control and filtration of gases and liquids would combine well with APV's capability in the fields of beat exchangers and refrigeration.

APV counters that the complex and expensive process systems it sells to the food and drink industries require a far broader range of skills and a closer relationship with the customer than Siebe's standardised engineering products.

"We employ food scientists, biochemists end metallurgists as well as about 400 graduate engineers," says Mr Smith.

Mr Stephens strongly rejects the suggestion that Siebe is in the unsophisticated end of the engineering business, pointing to a customer list similar to that of APV.

He selects three areas of "contiguity," accounting for about half of Siebe's sales, where both companies are active and which provide the industrial logic for the bid. They are:

- Filtration equipment for the food and brewing industries.
- Automation and process control equipment for continuous bottling and canning lines in the food industry.
- Energy equipment. Siebe makes compressors, dryers and purifiers supplying clean and cooled air to oil platforms, hospitals and other industrial installetions. APV supplies cooling equipment to similar customers.

APV responds that the overlap in all these areas is very small and thet the bulk of Siebe's customers are outside the food and drinks industries.

Mr Stephens believes that a company the size of APV is too small to take on world competition. A combined group with 1986 turnover of around £1bn would be better placed to finance research and development spending and attract skilled employees, he says.

APV replies that it is well able to look after itself in the world, despite the presence of formidable competitors such as Alfa Laval, the large Swedish maker of separators and heat exchangers, DDS, a Danish sugar processor which makes food processing equipment, and the British groups Simon Engineering end Baker Perkins.

The dairy processing industry has been hit in recent years by the imposition of EEC milk quotas but APV sees increasing world demand for processed foods and fruit juices.

Many food processors are being forced to automate their plant to cut costs and the huge US brewing industry is poised to make massive investments in more modern plant, APV believes.

In addition, changing public tastes mean as many as 2,000 new food products every year. Demand for fewer preservatives in food makes the need for efficient and hygienic food processes even greater.

APV's shareholders — many also with holdings in Siebe—face a difficult choice as they make up their minds within a fortnight or so. Siebe has earned respect in the City for the way it has integrated the companies it has acquired. Equally, APV has demonstrated that it is recovering strongly through its own efforts.

Siebe's management has a longer track record of success but the deciding factor may be the view investors take of the conglomerate—for long an unfashionable creature — and whether it appears to offer better prospects than APV's specialised approach.

Technology takeovers

# US suitors' winning ways

**Peter Marsh concludes his series by exploring how growth can come from surrender**

CHRIS DOUBLEDAY, founder and managing director of e small UK electronics company called Precima, was under pressure. It bad been a long, hard grind for his company, which after 12 years had reached annual sales of only £2.5m. Thanks to a novel system that Precima had developed for the antomatic assembly of electronic circuitry, the effort finally looked like paying off.

To do justice to the prodnct, the company would need about £5m over two years to finance the necessary expansion. Doubleday, an ex-Marconi engineer, had little expertise in raising cash. There was also the associated problem of setting up a worldwide marketing and maintenance network to support the new system. "Our product looked extremely promising," be recalls. "But we felt we were sitting on a time bomb."

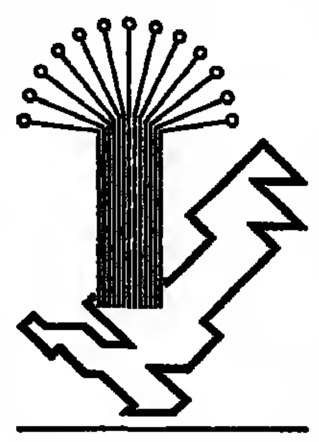
Tha predicament for Doubleday back in 1983 is not unusual for the people wbo set np and run expanding high-technology companies. Once a winning product is developed, the management problems can pile up.

The simple answer, for many high-tech concerns, is to become part of another, much bigger company. Tbe large corporation, whicb is often an acquisition-minded US company, can breathe into the smaller business management skills, cash for research and development, together with, frequently, a ready-made international marketing organisation.

In Doubleday's case, his company attracted tha attention of the Dynapert division of Emhart, a diversified Massachusetts-based electronics and engineering concern with annual sales of $1.7bn.

Dynapert was (and is) among the world leaders in automatic machines for assembling electronic circuitry by tha conventional method of inserting components through holes in printed circuit boards. It wanted to move into the new area of surface mounting—in which tiny robot grippers fix the components to the boards with adhesive—an area in which Precima was a pioneer.

The US concern had mounted a worldwide search for a suitable acquisition and Precima, which is based in Colchester, Essex, had topped the list. "They wera an ideal



company," remembers Ron Titlebaum, Dynapert's president. Doubleday and his colleagues were not easily wooed. Between April and October 1983, Precima made four offers for the company, each ona better than the last and each turned down. The fifth offer—the exact terms of the deal have not been disclosed—was accepted.

How have events turned ont? Precima's sales shot up six-fold between 1983 and 1985 to some £15m a year. The number of employees has donbled to 240 and the company has been given responsibility for selling its products not only in the UK but in the wbole of Europe, taking over this role from an existing Dynapert subsidiary.

Another successful US-UK *coupling appears to be that* between Martin Marietta Data Systems, whicb has annual sales of $430m and is the computer systems arm of the giant US aerospace company, and London-based Hoskyns. The latter, which has been part of the US concern since 1975 and sells a range of computer systems and consultancy, last year recorded 40 per cent growth in sales to £56m, with profits expanding 26 per cent to £3.3m.

Hoskyns is, says its managing director, Geoff Unwin, "a bit of an oddball" in the US gronp. While sales of the parent company are concentrated on a few large contracts with government or military organisations, Hoskyns has a very wide client range and *employs staff who can switch* between different jobs fairly easily.

Rather than impose management controls on the UK organisation, Martin Marietta is, says Unwin, "trying to listen to us and adopt some of our methods." Patrick Zilvitis, president of Martin Marietta Data Systems, goes along with this assessment. "Hoskyns is very well managed. As a result of their performance we leave them alone."

Not all marriages, of course, are successful. In 1981, Evans and Sutherland, an $80m-turnover company in Salt Lake City specialising in electronic graphics, paid $2.5m for Shape Data, e promising UK company in computer-aided design (CAD).

The US concern was slow, bowever, in assimilating tha Cambridge-based Shape Data into its management hierarchy, leading to three years of uncertainty during which the UK concern's four founders were unsure of their role. When the management reshuffla finally came in 1984, it left three of the founders—Charles Lang, Ian Braid and Alan Grayer—dissatisfied and they all departed at the end of last year to form a new company, Three-Space. The fourth founder, Peter Veeman, has stayed as managing director of Shape Data, which has grown from a 13-strong organisation five years ago to employ 65 people.

It has, bowever, been an amicable divorce, with Evans and Sntherland even paying *some alimony in the form of* taking a 10 per cent stake in Three-Space. The separated trio is also doing some of its work on behalf of Shape Data.

According to Gary Meredith, e vice president at Evans and Sutherland who is responsible for Shape Data, "the difficulties were to do with the two companies' different styles of management." He says tha Cambridge company was research-oriented whereas Evans and Sutherland wanted it to be more geared to prodncts.

Striking the right balance between the easy-going style of a small company and the more formal methods of a large one can be troublesome. In October 1984, Bell Canada, an Ottawa-based telecommunications giant, paid about £9m for General *Computar Systems, a UK com*putar-maintenance company in Feltham, near London. The company, now called Bell Technical Services (BTS), has a staff of 360 and expects this year a turnover of £15m.

It did not take long for the entrepreneurial approach of the small UK concern to clash with the more solid, corporate style of the Canadian company. Because of the differences, Bill Nickoll, managing director of BTS who had been with the Feltham concern for 16 years, left the company in April, He says there was underlying synergy between the two companies. "But our approaches were different. We would go into e market and iron out the bugs as we go along. They (Bell Canada) do things in e more scientific way." Nickoll also found "burdensoma" some of the parent's accounting rules and its continual desire for information on BTS's finances.

For the entrepreneurs who start small companies, selling out to a large concern can bring both relief and disappointment. Ed Hoskins is an architect who in 1969 started Applied Research of Cambridge (ARC), a CAD company which last year was bought by McDonnell Douglas Information Systems for $12m. Hoskins, ARC's then chairman, was offered a job in the US with McDonnell Douglas but preferred to take the cash from the purchase and "retire" to the south of France.

"I have a feeling of relief from the daily anxiety of not knowing if we would survive. Even though we were profitable *and doing rather well, the com*pany was on a very unstable footing." What does Hoskins miss? "Most of all the people (at ARC). A lot of them I regard as mates."

Similarly mixed feelings applied to Graham Wylie, manging director and founder of Milton Keynes-based Immediate Business Systems (IBS), when his company was sold last year to Neptune, a US concern which *is part of* the $12bn-turnover Allied Signal group. IBS had struggled along for three years to develop a portabla computer *for logging data from gas and* electricity meters or for use by traffic wardens. Though the product appeared promising enough for Wylie to raise £7.5m from the City to finance the development, selling and *supporting the devices overseas* proved a continual prohlem.

Wylie says of the Atlanta-

Hugh Routledge

Geoff Unwin: US parent "tries to adopt some of our methods"

based Neptune "they are very professional and worldly wise and enthusiastic for the company to succeed." Most important, the acquisition has given IBS a much stronger presence in the US, which is where the biggest demand for its products is expected.

Roger Bidgood, managing director of Luton-based Remek, an antomation specialist, is positively rueful when he looks back. An ex-lecturer at Cranfield Institute of Technology, Bidgood set up Remek in 1970 and for a time the future looked bright. Moves into robotics and vision systems did not work out, however, and after a spell in the hands of the receiver, Remek was bought in 1983 by VS Engineering, a British engineering concern.

Earlier this year, after VS was itself bought by Asea, tha Swedisb automation company, Bidgood found himself reporting to yet another series of bosses. With 45 employees and sales of about £2m, Remek will continue to trade under its own name. But Bidgood says he will always regret "not making it on my own."

According to Jim Wright, chairman of JK Lasers of Rugby, a company which he started in 1972, worrying about ownership of businesses can divert entrepreneurs from what he says is the real task—the need to compete. Wright was perfectly content four years ago to sell his company for about C$11m to a much larger concern, Toronto-based Lumonics, the world's third biggest laser business after Spectra and Coherent, both of the US.

Although debate about US takeovers of UK companies has caused controversy in recent months—in the cases of Westland and General Motors' hid for Austin Rover—the smaller, high-tech British firms whicb have become part of US groups seem to have done rather well. Moreover, many of them are not simply US offshoots but have their own R and D facilities.

An important issue, however, which this debate has largely ignored, is wby relatively few hig UK companies in the high-technology sector expand by acquiring smaller British concerns. It could be argued that, in the cause of building up UK expertise in the management of science-based enterprises, more larger British concerns should be persuaded that this is a route worth pursuing. According to Richard Onians, chief executive of Baring Brothers Hambrecht and Quist, a London venture-capital company, many big UK concerns "are not playful enough. They take themselves too seriously and fail to realise that acquiring smaller concerns can be a good way to grow."

*Previous articles in this series appeared on June 9, 11 and 13.*

# How a better layout counts

**Nick Garnett on ways to improve productivity**

IN THE debate over the extent to which working practices have really changed for the better on British manufacturing shopfloors, has the potential impact on productivity of improved hardware been forgotten?

A report* by the London School of Economics on the experience of West German and Japanese subsidiaries in the UK indicates that it would be a mistake to underestimate the effects of wbat people make and bow.

One of its main conclusions is that wbere a British owned plant bas been taken over by a German or Japanese company the biggest productivity improvement is derived from adopting a *foreign-designed* product which is easy to manufacture.

Managers of West German and Japanese subsidiaries in Britain pointed to technically advanced prodnction equipment and well-planned factory layouts as the second most important factor linked to the motivation staff are given to seek continuous improvements in prodnction methods.

Only after that ceme the kind of factors on which so mnch critical attention has been focused in Britisb factories — flexible labour, tigbt manning, good labour relations, and staff selection.

Prepared by the college's industrial relations department under Professor Keith Thurley, the report stresses thet its findings, based on a series of factory visits and detailed interviews, cannot be conclusive.

The sample was very small—seven Japanese and nine German-owned companies, manufacturing mainly for the British market products designed by the parent and on machinery specified by *it*. Employees in these companies averaged 285.

Most of the companies were *in forms of electronic assembly,* using female labour, which might mean that the findings are not applicable to heavier engineering.

Almost two-thirds of the German companies initially approached and almost a half of Japanese companies declined to taka part.

Unwillingness to discuss performance might reflect dissatisfaction with that performance hut the report says the most common reason for refusing to participate was pressure of work.

Productivity in the subsidiaries was hardly ever less than 75 per cent of the German or Japanese parent, says the report and in some cases, according to paint managers, equalled the German level. Productivity was measured as the time taken to perform a given task as a proportion of standard hours for that task, or turnover per employee. Where the products made were identical in the British and foreign factories, standard hours were the same.

Most of the managers in the *subsidiaries* said their British workforces could produce similar ontpnt to the parents' factories in its home country provided they had the same equipment, management and motivation.

However, British managers were the subject of some criticism particularly over what their non-British counterparts saw as a lack of commitment. The performance of administrative and sales staff was sometimes considered less satisfactory in the British-based operations than that of production workers.

Some of the negative factors about working in Britain that most frequently emerged included suspect quality of outside-supplied components and the extra time foreign managers believed was necessary to motivate British workers.

Within the complaints about the industriousness and dedication of some British managers, the weakest level of responsibility was considered to be the foreman or supervisor who frequently lacked any managerial talents.

This could well add weight to the increasing tide of criticism about tha lack of in-house training offered by many British companies to workers moving into supervisory positions and the way the less academically able but perhaps technically minded pupils are poorly catered for in schools.

* *The experience of German and Japanese subsidiaries in Britain, London School of Economics and Political Science, Houghton Street, London, WC2A 2AE.*

# THE ARTS

## Architecture/Colin Amery

# Doorstep diplomacy

It is difficult to make good and worthy happenings into news. When the Prince of Wales speaks about architecture it is more striking to hear about "carbuncles" than communities. When he spoke last Friday et the Royal Institute of British Architects, hopes were high that he would beard the lion in its den. However, the occasion was tha presentation of the RIBA/The Times Community Enterprise Awards — the first of their kind — end clearly some rather more positive words were called for.

Before looking at the scope and success of these awards it is worth pondering both the anomaly of their inception and the strange institutionalisation of "Community architecture." The oddest thing is that the very need for a more concerned and local baais of environmental activity bas been caused directly by the activities of politicians, bureaucracy, and the design professions.

During the 1950s end 1960s it was a strongly beld belief that there was only one answer to the bousing problem and the derelict city: to atart again, and frequently to build high. Arcbilects and politicians must shere tbe blame for pollcies and buildings that have actually caused the death of the inner city and the decline of environmental atandards.

**The physical appearance of our cities has a powerful effect on the spirit that dwells there**

Community architecture simply means asking people wbat they want and trying to help them achieve it. It took one of the winners of the new awards, Mr Patrick Doherty of Londonderry, to put it most succinctly: "We bave rehabilitated your buildings—it is time for you arcbitects to rehabilitate your profession."

Today, these recent 20 award-winning schemes show that there is no single answer to the problems of architecture and the inner city. There bas to be a multiplicity of approacbes and a piurality of professional skills. Community enterprise has to do with a great deal more than architecture, but the physical appearance of our cities has a powerful effect on the spirit that dwells there.

The scaling-down of architectural ectivity to a level where it is directly responsive to the needs of the client is what these prize-winning schemes are all about. The establishment of e small enterprise centre in e disused art college in Birkenhead; the conversion of e pentecostal tabernacle into a community centre in Notting Hill; the creation of a park and garden and some new shops in a desperately derelict area of Hoxton; the revival of the inner city of Londonderrry; co-operative bousing schemes in Glasgow; self-build bouses in Bristol, and even a farm in the heart of Cardiff — these are all examples of a concentration of community effort and enterprise on the doorsteps of people wbo know exactly what they want.

The difficulty faced by so many of these schemes is that, too often, inspired ideas come to grief in the "cat'a cradle of red tape" which, according to the beir to the throne, "chokes the country from end to end."

There is a tremendous need for more partnership and collaboration in all areas of the revitalisation of inner city life. Organisations like *Business in the Comunity* are making beadway but there is still a profound need to bring to an end the professional bandwagon that rolls on, convinced that it knows better than its customers, frequently not even asking the customer what be wants.

The star winner of these awards is undoubtedly the five year's work carried out by the Derry Inner City Project in Londonderry. It clearly demonstrates the success of a broadly based Development Trust. Five hundred jobs have been created by the work on some eight derelict buildings, the creation of craft workshops, amenities for young people, and a historic walk through the old walled city centre.

Architecturally the scheme has succeded in renovating a city centre in a way that other cities have only dreamed about. Contrast the success of Derry with the officially inspired cosmetic garden festivals in Liverpol and Stoke and you see at once the need for local initiative.

Clearly anyone who visits the Eldonian project in Liverpool, or the Calvay housing in Glasgow will sense at once a need for the driving force in all these schemes to come from within the community. When it does, there is every chance thet acorns will become substantially rooted oaks. It is not so much a matter of architectura, but mnch more, pride and involvement that makes successful self-sustaining communities.

The change that is coming to the architectural profession is atill in its infancy. In the schools of architecture there ia a need for *real* projects to be used as teaching aids. There should be an end to the fantasies and necropolises that so many architectural schoola demand from their students. There should be training in the simple social organisation of architecture and planning.

The need for total overbaul of the planning system and the cutting of red tape goes with a need for a new kind of enabling professional.

It is not cranky to suggest that this means e new sort of architect wbo will beip people to help themselves, encouraging self-help rather than surgery.

**The change that is coming to the architectural profession is still in its infancy**

Although tbe Prince of Wales and othera feel that government should not play a major part while government is synonymons with bureaucracy, it is certain that there would be more private financial involvement in the inner city if there were more government enrouragement. Public agenciea as well as private ones must become less negative. Community enterprise can replace frustration with the encouragement of a more diffuse kind of professionalism.

The curious sight of the Prince and the architectural establiahment giving prizes to all the ideas that run counter to the official policies of the past 30 yeara can only be a sign of hope. One of the remarkable phenomena of our times is that it is the *clients* who are forcing the pace of change. Do tbe profesalonals realise that their clients are demanding this of them?

William Armstrong (left)—plays with panache

## Road/Royal Court

**Michael Coveney**

It is 16 years since any violent liberties were taken with the Royal Court auditorium, when Wiliam Gaskill threw open the doors to the "Come Together" fringe festival. Now the stage bas been extended from the back wall over the auditorium, placing a promenade audience on the same level as Jim Cartwright's Lancashire street. Transferred from the Tbeatre Upstairs, where in March it was enthusiastically greeted on this page by Martin Hoyle, *Road* is indeed an original, affecting, rumbustious and truly remarkable piece of work.

Just comparisons bave been made with *Under Milk Wood* but, whereas that radio play became a conventional spotlit stage show, *Road* uses the environment of its own andience in much the same way as the inaugural Joint Stock show *The Speakers* did; instead of Hyde Park ear-benders, we have an ordinary, vital bunch of Lancastrians magicked into life by the wild boy Scullery, wbom Edward Tudor-Pole, late of the Sex Pistols and *Absolute Beginners*, plays as both street urchin and manic guide.

The various scenes are really individual playlets and, as such, of e startling originality. A girl irons ber black miniskirt while ber mother scratches around pathetically on the floor. The girl is going out, the mother is sticking ber nose in. Another old girl paints on ber lips and remembers the man, "the bust-squeerer," who saw ber througb the war — did he die? A kendo freak springs from the crowd and recounts his post-disco skirmish with some Bolton skinheads. And in a stunningly moving extended scene, an unemployed girl and boy get into bed on hunger strike. They have no job, no bope, and their despair is counterpointed with hilarious recollections of first sexual experience.

A middle-aged man remembers how it was with National Service, bolidays in Blackpool, "Volare." These folk memories have the stark authenticity of Billy Rice's lament *The Entertainer*. After screaming domestic fall-out wbich flashes across the theatre'a levels (some spectators can sit in the circle and gallery) like an electric storm, Mr Cartwright's playwriting instincts finally get the better of Simon Curtis'a unflaggingly inventive and spirited physical direction.

First, a girl tries to shake life into a comatose soldier who has been sick into bis chips. Her "mini-Clint" is unmoved by, in fact impervious to, "Strangers in the Night." And, after a wonderful speech of a dejected married woman ebout her unemployed drunken husband ("He's sucb a big man—there's nowbere to put hisself"), two boys entertain their girls with a drinking contest

The superb cast of seven, in wbicb Susan Brown, William Armstrong and Lesley Sharp give performances as good as any I have seen this year, inhabit Paul Brown's scaffolded levels, benches and inset living rooms with panache and a gentle skill that makes the occasion a poignant lament for the second of Mrs Thatcher'a two nations and e thrilling event in itself. You really must see this one.

## Poppea/Glyndebourne

**Max Loppert**

The main themes of *L'incoronazione di Poppeo* are sexual infatuation and the abuse of state power, and the terrible links that can be forged between them. Monteverdi'a opera is like Mozart's *Figaro* in the way it presents a complete spectrum of characters coloured and sbaded by love and lust; but it is unlike that *folle journée* in that the good end unhappily, and the bad happily—and that, in the view of the composer and his librettist, Busenello, aeems to be what Life means.

A *Poppea* working its full effect is an awesome thing—one of the most complex and disturbing of all operatic experiences, a tale of agonizing moral ambiguities and emotional depths told in a score of almost unbearable beauty, dramatic suggestiveness, and gravity (how revealing that its lyrical high water mark should come in s lullaby hymning sweet oblivion).

In 1984, when the second production of the work in Glyndebourne bistory was first shown, the experience was not awesome but beavy, dull, and coarse on eye and ear. At its 1986 revival on Saturday, much was different, and better: it is atill far from an ideal Monteverdi performance, but it hits bard, fast, and in many places wonderfully deep.

The improvements are most immediately noticeable in the pit. Peter Hall, the producer, originally elected to saddle himself with Raymond Leppard's pioneering, but now outmoded, edition of Monteverdi, with its plump carpeting of continuo and string addition, and its many acts of textual redisposition, re-ordering, reshaping, and truncation. In 1984 Leppard bimself took musical charge, as he bas almost all of Glyndebourne's 17th century Italian sbows. Now Richard Bradshaw (formerly a Gyndebourne staff member, recently a conductor with a growing American reputation) is in bis place; and, while nothing can really justify the continued employment of ample batteries of continuo instruments or the continued infusion of string enrichments, Mr Bradshaw has concentrated on ligbtening them, redncing string vibrato, on making the articulation crisp, forward-moving, and dramatically sentient.

The performance seems to move on a current of intelligent and intelligible verbal delivery, one of the necessary (but so often neglected) aspects of any truly vital Monteverdi realisation. Tbere sre no native Italian speakers (shouldn't there be?), but bard work bas gone on to make others aound like them, and in more than one case it has proved atrikingly auccessful. The feeling of play on and with words begins at the beginning, with three lively goddessea (Anne Collins, Anna Steiger, Rebecca Caine) alert in their propositions;

After the barsh tbings I bave written about Maria Ewing in recent times, it is s particular pleasure to praise the eccuracy, rontrol, and poise of a Poppaea warmly and lightly sung, and played with deadly cool subtlety and calculated sensuality. Cynthia Clarey's Octavia (moments of top-note strain apart) is tremendous in rage, despair, and dignified retreat. Elizabeth Gale's Drusila is tender, womanly, and inflected with a bundred delicate shadea. Also femiliar is the Arnalta of Anne-Marie Owens—full-voiced in the lullaby, enjoyable broad in comic class-triumph, somewhat rough in quick declamation.

The men are led by the Nero of tbe American Neil Wilson (UK debut), whose spoilt-baby Gainsborough face and figure and darkly attractive lyric tenor are all most interestingly used (be must heware of slips below pitch). Dale Duesing returns to livelier effect as Otho, the great romantic of the piece, though his line needs still greater firmness—a baritone in an alto part will alwaya be at a disadvantage. Roderick Kennedy acts and sings a plainer Seneca tban the unforgettable Robert Lloyd of 1984, but he too touches the quiet, grave centre of tbe opera.

Among good minor players, Lesley Garrett, Petros Evangelides, and Robin Leggate deserve a particular mention—the latter taking part in the delectable drunk scene still inexcusably planted on the Nero-Lucan duet. This remains the single blot on an evening of whicb one expected bard duty and gained great reward. retgcmfw vbgkq vbgkqj vbgkq

Neil Wilson (Nero) and Maria Ewing (Poppaea)

## Rambert Ballets/Sadler's Wells

**Clement Crisp**

Ballet Rambert has started e diamond jubilee season in celebration of the 60 years since Marie Rambert and her dancers appeared in Nigel Playfair's *Riverside Nights* at the Lyric, Hammersmith. Then, the young Frederick Ashton's *A Tragedy of Fashion* marked the first steps of our master choreographer and of Marie Rambert's enterprise.

On Wednesday night, a gala opening of the present Ballet Rambert's season brought us as "a trifle" (Ashton's phrase) one of the dances for the mannequins in that piece. And pretty it looked, too. The evening was in many ways nostalgic: glimpses of the rompany's 60 years history came with Lucy Burge very fine in Ashton's Brahms/Isadora waltzes, with students from the Rambert School in Tudor's *Soirée Musicale* and former dancers with the company making much of his *Judgment of Paris*—Cbristopher Bruce as the Waiter, John Chesworth the customer, and Sally Owen, Lucy Burge and Clover Roope (haunting with Minerva's awful boa) as the bedraggled goddesses.

Of today's Rambert—and the company is moving into a new incarnation under its lately appointed director, Richard Alston — there was a bright little item from *It's a Raggy Waltz*, by Lucy Bethune, a member of the company; Richard Alston's own gently mocking *Java* to the venerabla harmonising of the Inkspots; and Ian Spink's brand new *Mercure*.

This also featured in last nigbt's first programme of the season. *Mercury* is, of course, Rambert's patron divinity, and Mr Spink's realisation of Satie's score has a dream-like inconsequentiality, a sly allusiveness that has its own mercurial merits. A mottled dark blue set with the shell of a Greek theatre, by Catherine Felstead; "amusing" and 'twenties-looking clothes by Antony McDonald; tiny incidents that cast sideways glances at Mercury's several identities as a god, all combine to keep our wits alert and the dance on the *qui-vive*. It is a piece that happily bears a second look.

This is not, I fear, true of anohter of last night's novelties, Mary Evelyn's *Dipped Wings*. With an abrasive score by Simon Waters, it features four couple in handsome leotards by Lizé, who indulge in arid activities which do nothing to illuminate for me the piece's subtitle "Continual Departing." The kind of movement language it proposes is also the matter of Richard Alston'a *Zansa* which closes this first programme Two scores by Nigel Osborne (*Mbira and Zansa*) are carefully matched in dance, levels of energy responding to the varied dynamics of the music. The piece is not easy, though with John Hoyland'a three handsome and painterly gauzes it is very easy on the eye, which is constantly rewarded by shape and colour. The actual logic of the choreography may be revealed with further viewing: at present, the dance teases the imagination — which is no bad thing.

## Obituary/Alan Jay Lerner

Alan Jay Lerner, wbo died aged 67 in New York on Saturday, was the last surviving member of the atylisb and witty New York school of lyricists tbat also included Ira Gershwin, "Yip" Harburg, Lorenz Hart and Oscar Hammerstein II. He will be best remembered for bis collaborations with the composer Frederick Loewe: *Brigadoon* (1947), *Paint Your Wagon* (1951), *My Fair Lady* (1956) and, finally, *Camelot* (1960).

His last Broadway sbow *Dance A Little Closer*, failed on Broadway, although the title number deservea to be better known. Lerner bad apent most of his last years in London, sinca marrying the Englisb musical actress Lis Robertson.

## Music of New Spain/Almeida Festival

**David Murray**

To do anything like justice to the ongoing Almeida feast, wonderfully extravagant as it is, we should have to devote balf of this page to it all month. Hard on the baels of the Arvo Pärt series that Andrew Clements discussed last week comes new Spanish music, and Japanese, and several individual composers will be spotlit—Steve Reicb, Giacinto Scelsi and a number of younger spirits.

The new Spanish music, all performed on Saturday by the excellent, tireless Music Projects/London with their conductor Ricbard Bernas, justified Tomás Marco's proud claim: "A music that is neither nationalistic nor folkloric but which does not neglect its roots. The Spanishry was credible, discreet, deeper-rooted than occasional nosegaya of local colour;

The interesting progress of Francisco Guerrero, now 35, was traced through three works. His 1975 *Actus* was plainly in thrall to Xenakis, with a thick impasto of string glissandi mathematically devised (one bad to take that on trust) and an oozing rontrabassoon et the bottom; two trombones somelimes added their own glissando howls or jazzy barks. Tbere was a shortage of fresh events. Guerrero's soprano-and-guitar *Erolica* of three years later was much brighter, indeed captivating (finely performed by Mary King and David Harvey):

With *Animos C*, the third part of a four-part sequence, Guerrero returned to Xenakoid constructiona, but with e tecbnique greatly sharpened.

Tha second concert was e polpourri, intriguing for the range of its ingredients. José Evangelista's *Clos de Vie*, in memory of Claude Vivier (a composer featured in last year's Almeida Festival), assigned a revolving melody-line, sweelly melancholy, to everybody in unison, but with decorstive refinements. The intended development of *El Hierro y la Luz*, by Eduardo Perez Masada, was limply realised in the actual music; a flute concerto by the senior Cristobal Halffter made its academic plan all too evident, despite lovely playing by Pierre-Yvea Artaud. For Roberto Gerhad's hardpsicbord concerto the soloist was Yvar Mikhaaboff: some spark waa missing in the first movement, but by the end the right taulneas and quirkiness had taken hold. A welcome revival, and apt.

## Philharmonia/Festival Hall

**Andrew Clements**

Semyon Bychkov made his London debnt last year, conducting the Royal Philharmonic. Since then his reputation has soared, so much so that his name has been romantically linked with the Berlin Philharmonic as a possible successor to Von Karajan. Bychkov is 34, born in Leningrad but now in the US where he is musical director of the Buffalo Philharmonic.

He first claimed attention in western Europe when be appeared from nowhere to conduct a memorable production of *La Finta giardineria* at Aix-en-Provence, and followed it by taking over a concert with the Berlin Philharmonic from Muti to sucb effect tbat the orchestra promptly inviled bim back.

Of sucb stuff are legends, or at least recording contracts, made. For bis first concert with the Philbarmonia at the Festival Hall on Thuraday Bychkov offered Beethoven's *Prometheus Overture* and Brahms' First Symphony, and unsurprisingly did not quite fulfil expeclations. The Beethoven, most attentively played, suggested a conductor of extremes

Brahms showed him in e better light, though the account was never quite as dramatic as it promised. The finale was splendidly paced, the build-up to the big tune tightly controlled, tbe brasa writing given a Brucknerian grandeur. Bychkov'a moulding of woodwind phrasing suggested Karajan as a stylistic influence, and it gave the slow movement a pleasing fluidity, attentive to inner lines. But the symphony as a wbole did not come to life.

Nigel Kennedy's pristine acrount of the Mendelssohn Violin Concerto completed the programme. It was a performance of perfect manners, with not a note out of place: the slow movement waa sung with a ravishingly pure tone, the articulation of tbe finale was acrupulously exacl. The playing demanded admiration. And yet . . . Somehow it was totally unmoving, not because the approacb was sterile and analytical, but because it lacked personality. When Kennedy finds the means of putting more of himself into his music-making, it will be magnificent violin playing indeed.

## Saleroom/Susan Moore

Rococo ailver at its most full blown is to be sold at Sotheby's on Thursday. A George II soup tureen and cover made by the masterly Paul de Lamerie in London in 1747 comes complete with fesloons of flowers, shaggy lions' beads, masks and an elaborate cartouche. An eagle feeding her young forms the cover's finial. The unpublished estimate on this massive, 175 oz piece is £120-150,000. A pair of candlesticks with stems taking the form of a flower-wrapped cherub made by de Lamerie five years earlier, ia expecled to make £80-150,000.

In a simpler vein is the Charles II porringer and cover, maker's mark WS, and e salver on foot with TS in monogram below a crown, made in London in 1683. Estimated at £60-80,000, they are among a number of chinoiserie pieces in the sale.

Perbaps the most elevated piece of French furniture to be sold et Sotheby's on Friday is a Louis XV marquetry and parquetry commode made by A. R. Gaudreau for the dining room of the king's daughters at Versailles. Ornamenled with masks and gilt-bronze scrollwork, this particularly pretty piece is expected to make in excess of £100,000.

The great French cabinet-maker Georges Jarob is known to have mada furniture for the studio of J. L. David to the artist's own designa. A Directoire chaise longue idenlical to that on which Madame Recamier so graciously reclined in what is perhaps the most famous portrait of the era, is also on offer (eatimate £4-6,000).

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# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 13-19

## Music

**LONDON**

**Ivo Pogorelich**, piano: Beethoven, Bach and Chopin. Barbican Hall (Mon). (638 8891).

**Royal Philharmonic Orchestra**, conducted by Antal Dorati, with Isaac Stern, violin. Haydn, Bruch and Franck. Royal Festival Hall (Mon). (928 3191).

**Medici String Quartet** with Christine Cairns, soprano. Britten, Milhaud, Chausson and Franck. Queen Elizabeth Hall (Mon). (928 3191).

**Ray Charles** in concert. Royal Festival Hall (Tue 6.30pm and 9pm).

**The King's Singers**: Queen Elizabeth Hall (Tue).

**Marian Montgomery**, with Laurie Holloway and quartet. Queen Elizabeth Hall (Wed).

**Royal Philharmonic Orchestra**, conducted by Andre Previn, with Andre Watts, piano; Eva Lind, soprano; Christine Cairns, soprano. Berlioz, Liszt and Mendelssohn. Royal Festival Hall (Wed).

**English Chamber Orchestra**, directed by Vladimir Ashkenazy, piano. Mozart. Barbican Hall (Wed).

**Joe Pass** in concert: Queen Elizabeth Hall (Thur).

**PARIS**

**Orchéstre National de France** conducted by Andrew Litton, Michel Razmie, flute: Weber, Mozart, Gluck (Mon 8.30pm). TMP-Chatêlet (4233 0000).

**Ensemble Intercontemporain**, conducted by Denis Cohen, Laurent Aimard, piano: Barriere, Cohen, Stroppa (Mon, Thur). IRCAM, 31, Rue Saint-Merri, Espace de Projection (4278 7995).

**Anna Maria Miranda**, soprano, Gines Sirera, tenor: Gluck, Boieldieu, Gretry (Tue 8.30pm). Théâtre des Champs Elysées (4723 4777).

**Alfredo Kraus** recital (Wed). Théâtre des Champs Elysées (4723 4777).

**WEST GERMANY**

**Frankfurt**, Alte Oper: The Israel Philharmonic Orchestra, conducted by Guiseppe Sinopoli. Tchaikovsky and Brahms (Mon); Pinchas Zukerman, violin and Marc Neikrug, piano. Beethoven (Thur).

**ITALY**

**Florence**: Teatro della Pergola: Pinchas Zukerman, violin; accompanied by Mark Neikrug. Beethoven (Mon and Wed). (24 23 61).

**NETHERLANDS**

**Netherlands Bach Society** choir, baroque orchestra and soloists conducted by Ton Koopman with Magnificats by Buxtehude, Kuhnau and Bach. Tue in Gouda, Grote Kerk, Wed in Naarden, Grote Kerk, Thur in Utrecht, Geertekerk (030-51 51 61).

**Amsterdam**, Tropeninstituut (Linnaeusstraat 2). Music from Islam series. Malaysian music from the Kempling vocal and percussion ensemble (Mon, Tue). Turkish Sufi music and the liturgical Zikr ceremony (Wed, Thur). (568 8300).

**SPAIN**

**Granada International Festival**: Czech Philharmonic Orchestra conducted by Vaclav Neumann. Mozart and Mahler. Auditorio Manuel de Falla (Mon). (22 52 01).

**VIENNA**

**Montserrat Caballe**, Lieder: Miguel Zanetti, piano. Händel, Vivaldi, R. Strauss. Mozart Saal, Konzerthaus (Mon).

**Vienna Symphony Orchestra** conducted by Christoph von Dohnanyi with Aurele Nicolet, flute, Ursula Holliger, harp. Haydn, Mozart, Schubert. Konzerthaus (Thur).

**NEW YORK**

**Merkin Hall** (Goodman House): Sharon Mabry mezzosoprano recital. Lili Boulanger, Copland, Kenton Coe, Ives; Myung Jean Keh piano recital. Beethoven, Scriabin, Chopin, Liszt (Tue); Karen Hutchinson piano recital. Mendelssohn, Franck, Chopin, Donald Keats (Thur). 67th w. of Broadway (362 8719).

**Bargemusic** (Fulton Ferry Landing): Chamber music concert with Fred Sherry, cello; Toby Hoffman, viola; Cho-Liang Lin, violin; Stephanie Brown, piano. Mozart, Martinu, Brahms. Brooklyn (624 4061).

**TOKYO**

**Alicia de Larrocha** (piano): Turina, Granados, Chopin. Tokyo Bunka Kaikan (Mon). (545 8348; 545 9348).

**Francisco Araiza** (tenor) accompanied by Irwin Gage. Mozart, Rossini, Verdi, Puccini, Gounod. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Tue); Schubert's Die Schöne Mullerin. Tokyo Bunka Kaikan (Thur). (545 8348; 545 9348).

**Takahiro Sonoda** (piano) Liszt. Tokyo Bunka Recital Hall (Wed). (461 2580).

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# The Tories and South Africa

THE DEBATE in the Commons tomorrow will be only another preliminary shot in determining future British policy towards South Africa. No fundamental decisions need to be taken at least for a few more weeks. But the debate should be an important occasion, none the less. MPs will get a smack of what the Government intends to do about the mounting pressure for further economic sanctions. At the same time, they will he able to put their own views in an attempt to shape government policy.

That goes, in particular, for Conservative MPs. The views of the opposition parties are already well enougb known. The Labour Party, the Liberals and the Social Democrats ere all broadly ln favour of stepping up sanctions. Many friendly fnreign governments are on their side.

Still, it is Mrs Tbatcher, her Cabinet and the Conservative Party who will have to decide. Does tbe British Government oppose an extension of sanctions, will lt go along with an extension reluctantly or will it take the lead in seeking to determine interoational policy?

### Bilateral affair

Since the general election of 1983 the Conservatives have had an overhlown majority in tne Commons. This has led to some frivolous votes — such as the successful attempt to hlock the Shops Bill two months ago. The excess of Tory back-henchers bas not had enough to do and has rarely been obliged to face up to a major international question where Britain at least has influence, if not power.

Rhodesia, years ago, was not comparable. It was largely a bilateral matter in the end days of the old colonialism. The Conservatives dld themselves no good wben they split three weys in opposition.

In the end Rhodesia became Zimbabwe when the Tories were back ln power. Mrs Thatcher's initial lnstincts were to oppose the settlement, but she can scarcely regret that a transfer of power finally took place.

Tbe recapture of the Falkland Islands was also largely a hilateral affeir — between Britain and Argentina, though lt should be remembered that the Britisb expedition would never have succeeded without international support, especially from the US.

Nothing that the present British Government has had to deal with has been on the scale of South Africa in terms of the international dimensions. All the great powers have an interest in the outcome, as well as the African countries, the United Nations and, most of all, the people of South Africa, hlack, white and coloured.

It would be the greatest irresponsibility if tha debate were conducted in the Conservative Party along the lines of "for or against sanctions." The questions are becoming: what sanctions, for what purpose and how should tbey he conducted?

### Unique position

Two sets of facts need to be considered. The first is that President Botha promised radical change in South Africa some 12 months ago and has never qulte delivered. In the past few weeks or so he has *seemed again to be going* backwards. The Eminent Persons' Group, set up by the Commonwealth last year, and which includea Lord Barber, the former Tory Chancellor who is a conservative through and through, bas concluded that without further external pressure there is unlikely to be change for the better.

The second is that the Britisb Government is not wholly impotent. Indeed this is one of the few comhinations of circumstances where most of the remaining elements of British power could fall into place. Britain is a leading member of the Commonwealth. It is a member of the European Community and about to take over the Presidency. It has a close relationship with the US and can talk to Japan through the group of seven leading industrial democracies. Perhaps, above all, it is e permanent member of the United Netions Security Council.

Some of those groups overlap. Britain alone is a member of all of them. No country could therefore be better situated in seeking to take the lead in coordineting an international pollcy towards South Africa.

The question before Mrs Thatcber, the Cabinet and the Conservative Party is whether they will realise their opportunity to control events or he dragged into sanctions, kicking, screaming and quarrelling amongst themselves. Backbench MPs should realise tomorrow that they are no longer debating parish politics.

# Ways to improve the workforce

FIVE YEAR economic forecasts are often wildly inaccurate. The Institute of Manpower Studies's analysis of UK employment trends up to the year 1990 should, therefore, be taken with several large pinches of salt. Its main conclusions — a further small fall in total employment and a further big shift from jobs in manufacturing to jobs in services — seem hlghly plausible today mainly because they are extrapolations of what has already happened. Extrapolations of the past, bowever, are often poor guides to the future.

A similar large-scale survey in, say, 1978, when a modest economic recovery under the then Labour Government was in full swing, would never bave predicted a tripling of total unemployment hy 1983.

This said, however, the institute's survey remains the best availehle guide to likely sectoral shifts in employment. It divides the economy into 10 sectors and foresees growth of jobs in only two of them: distribution, financial and husiness services, and leisure and other miscellaneous aervices. Further job contraction is predicted in energy, manufacturing and construction, with the heaviest joh lossea in light and heavy engineering.

In occupational terms, these shifts will result in an increased demand for managers, multitalented craftsmen, engineers and scientists, and professionals of all types. By 1990, there will be more jobs in small companies, more jobs for women, more part-time jobs and, overall, a younger workforce. Throughout the economy, people's chances of employment will depend increasingly on their accumulaled "human capital"—their level of education, training and skills. The unskilled, especially manual workers, face a very bleak future.

### Bleak picture

What can the Government do, in the light of these forecasts, to maximise employment prospects? There are two obvious priorities: policies to improve mohility (both geographical and occupational) and to improve the overall level of training and skills. Recent research puhlisbed by the National Institute of Economic and Social Research underlines the urgency of action on these fronts because it shows that both mobility and training have been in secular decline.

Between 1871 and 1983, for example, mobility between different occupations declined hy a quarter. There are now about 6m job changes a year compared with 10m in the 1970s.

In recent years, the labour market seems to have become more arthritic partly because, with the rise of unemployment, fewer people are willing to risk a change of any sort.

The picture on training is equally bleak in spite of initiativea such as the Youth Training Scheme. In 1967, more than 5½ per cent of employees in manufacturing received training; by 1982 the proportion was down to 3.2 per cent; by 1985, despite the YTS, it was down to just over 2 per cant—a mere 112,000 workers. Moreover, many industrialists argue that the general training provided by YTS, especially in the first year, is still a poor substitute for the skill-specific tralning provided on a more rigorous basis in competitor countries such as Japan, West Germany and France.

### Better educated

Pension reforms and YTS demonstrate that the Government *is* concerned about, and has taken action to improve, both mobility and training. The message from the institute's forecast is that these efforts should be greatly increased. International comparisons imply, for example, that vocational studies in schools should be expanded by a factor of about 10.

The continuing shift towards knowledge-intensive industries and services, however, suggests that merely boosting vocational training for the young may not be enough. General education levels througbout thc economy need to be raised.

Expanded opportunities for adult education and retraining are also urgently needed in view of the repidly sbifting composition of output. One canvassed possihility would he to give every adult an entitlement to one month's training or further education for each year of full-time employment. A more moblle, better educated and trained workforce would greatly henefit the economy regardless of the accuracy of the particular sectoral shifts predicted in the institute's forecast.

# Paper feels the global squeeze

## True international competition in paper making is bound to bring casualties, argues Tony Jackson. The question is where?

THE WORLD'S paper makers are coming to grips with a new phenomenon. US producers are finding their customers huying from Europe; European producers are hracing themselves for a US export push; and around the edges prowl several new producers, from South Africa to Brazil, who are unnervingly competitive on cost.

Paper is increasingly becoming e true international industry. Pressure of competition has caused a wave of mergers and restructuring on both sides of the Atlantic, with 15 per cent of the US industry's assets changing hands in the past two years. As in other smokestack industries like steel and shipbuilding, the advent of true international competition is bound to bring casualties. The question is where.

US producers are in no doubt about who ought to suffer. Mr Tony Gammie, bead of the US newsprint producer Bowater Inc, hived nff from the UK Bowater Group in 1984, says: "We look in amazement at wbat goes on in Europe, and then we get cross. When are European governments going to get fed up with propping up paper companies? The only example *of pure* economics working in Europe has been Britain, and that's only because neither political party would pour weter down the ratholes."

Considering that UK paper capacity has fallen by over 12 per cent in the past seven years, other EEC countries migbt well flinch from such robust action. But success in hulk paper making is above all a matter of low cost production, and on that score much of the European industry has inherent disadvantages.

Low costs in paper making depend on two things—modern technology, and cbeap raw materials. Parts of the European industry have failed to invest in new machinery and techniques. In addition, northern Europe's cool climate means that trees grow much more slowly than in countries like Brazil, and wood is correspondingly expensive.

In both the EEC and Scandinavia, though, the industry is still enjoying its new-found access to the US market. European exports to the US are running at around 200,000 tonnes a year, according to Mr David Clark of the Paris-based European Paper Institute. "That is compared with a maximum of 50,000 tonnes up to 1983," he says.

Most of the European exports are of what is known in the trade as coated mechanical paper — the grades used for magazines and catalogues. The sharp jump in US demand in 1984, caused hy increased advertising in the Reagan boom, was accompanied by an abnormally strong dollar, and European exporters had e field day.

The effect was felt in European markets too. "1984 was an export-led boom for everything in Europe to the US — cars, wine, you name lt," Mr Clark says. "That led to an advertising boom in Europe as well—and advertising accounts for 90 per cent of coated paper."

US prodncers says they are not concerned about European inroads into their home market. "Penetration was hrought about hy the dollar, like in a lot of other industries," says Mr Gammie. "With the dollar weaker, a lot of fringe players will get out, and a hard core will stay. I don't see the British, the French or the Germans being other than spot players—the economics just don't add np."

Swedish and Finnish producers could he another matter. "The Scandinavians will hang in, because they must—they've got to llve on foreign trade. But I don't think they'll get terrihly big. For a Swedish newsprint producer these days, Hamburg is a bell of a lot more attractive as a destination than Miami—15 months ago it was the reverse, despite the fact that it costs between $60 and $70 e tonne just to ship newsprint here."

Ms Norma Pace, chief economist with the American Paper Institute (API) — the US Industry trade association — says some US customers have already switched back from overseas supplies. "In early 1984 US mills were running at capacity, so customers were looking to their inventories. It wasn't even that our mills couldn't supply consumption — it was just bedge buying. Now that there's plenty of supply around, imports are receding."

But she too has to concede that things have changed. "There have also been imports from developing countries — printing and writing grades from Brazil and Mexico, and linerboard [the base material for cardboard boxes] from South Africa. That is not e thing we had seen before, and it does indicate thet when these countries are in trouble they'll look to our market. And in general, some customers may find qualities and services eround that weren't there before, so there will probably be a market."

But, Norma Pace makes clear, the API wants its members to fight back. "The only international part of our industry historically has been linerboard and market pulp for export, and newsprint, which we import from Canada. But with our cost base and our economies of scale, our companies are beginning to feel thet they should have a bigger overseas commitment in, for example, printing and writing grade peper. Home consumption in that market has grown so rapldly that we never used to think about external markets, hut now the question is wbether the US provides the growth targets that are felt appropriate.

"Producers these days are thinking about committing 10 to 15 pe rcent of a mill to foreign markets. We tell our companies that it has to be a commitment, not just a matter of taking up the slack. But if we can produce a competitive product et competitive prices I don't see why other markets shouldn't huy lt — after all, we in the US did, even though we hadn't expected to."

From the US viewpoint, the long-term logic is clear. The industry in the EEC has to shrink, in bulk grades at least, while Scandinavia moves further up-market, away from the supply of basic pulp into paper grades with higher added value. The gap in bulk production will be made up by emerging producers in less developed countries.

Mr Gammie ticks off the candldates. "Portugal hasn't enough water, and it has a limited supply of trees. South Africa has the trees, though water's a problem. But South America has everything—labour, wood, water and power. The only constraints are the ability of governments to accept the necessary amount of foreign participation, and the cash flow that's needed to create the infrastructure."

Back in Europe, this kind of talk is greeted with some irritation, particularly in the EEC'e most successful paper-producing country, Germany. Mr Oskar Haus, of the Verband Deutscher Papierfabriken (the German industry association) says: "I don't think Brazil and Portugal will go into integrated paper production and try to sell nn European markets. You need a lot of market know-how and I don't think those countries will heve it in the next 20 years. I don't think US companies will see Europe as a permanent market eitber — their own market's too big."

For Mr Haus the threat is also a familiar one. "I remember very well how 20 years ago the Scandinavians were asking us to concentrate on sopbisticated specialities, and telling us they would produce the big mass grades. The Germen industry didn't follow that advice, and today we beve a balanced range—very competitive on hulk grades, with smaller and more specialised mills as well."

In the UK, capacity for hulk grades has been cut back drastically, and much nf the industry has retreated into the lower-volume, more specialised part of the market. But, Mr Haus says, the two cases are not comparahle.

"German competitiveness in hulk grades isn't a miracle. In the UK and France, companies didn't invest in new machines for hulk grades, and if you don't do that every 10 years you're not competitive. Our companies baven't tried to squeeze the last hit of profit from existing machines: a lot of them are family-owned, and the families were prepared, sometimes over many years, not to make profits—it all went back into the machinea."

The point is reinforced by Mr Hartwig Geginet, chairman of Feldmuhle, one of Germany's most successful paper makers. "We started to restructure early, and we did a better joh. For example, we got out of newsprint at the end of the 1950s, and went in two directions—added-value grades, and a switch in raw materials from pulp to waste and wood-containing papers. Germany is now Europe's strongest industry in wood-containing papers, whether coated or uncoated—and that includes Scandinavia."

That wood-containing sector covers precisely the coeted magazine grades which saw such spectacular growth in 1984—20 per cent by volume, in the case of the European merket. That growth has belatedly led to an outburst of expansion which ls deeply worrying for the industry.

"There is 1.8m tonnes of new European capacity going into that sector between now and 1990," says David Clark. "We reckon there will he only 700,000 tonnes of new demand. It's a good growth area, hut this could drive operating retes below 70 per cent, wblch in this husiness is a catastrophe." Or, as Mr Gammie gloomily puts it on the other side of the Atlantic: "All those crazy Europeans, pusbing in all these damned machines."

To an extent, this is not only normal in the industry, it is also inevitable. As Mr Clark says: "The boom years were 1974, before the 1975 crash, then 1979 before the had recession years, and then the miracle year of 1984. It's partly a matter of the industry rolling in money in the boom years, and partly because the banks want you to demonstrate a good order book and a good price level. So the years when you go to the bank to expand are 1974, 1979 and 1984." Or, as Hartwig Geginat philosopbically puts it: "We're used to these fluctuations—it's a cyclical industry."

For Europe, as industry executives privelely concede, il could be different this time. If the industry indulges in an orgy of over-capacity in the fece of e new kind of inlernational competition, it could find the next cyclical upturn harder going.

The dilemma is, however, that investment is sull essential for survival. The point is underlined hy the contrasting cases of Spain and Austria.

The Spanish industry is facing exposure to full EEC competition and, says Mr Clark, is sunk in peasimism. "They haven't invested, or if so unwiaely, and they're io the hands of the banks. They also used to have tariffs of around 20 per cent and no VAT, so they're facing a double whammy. They're admitting defeat, whereas now is the time to say there's no reason why they shouldn't succeed, especially given the trend to internationalisation."

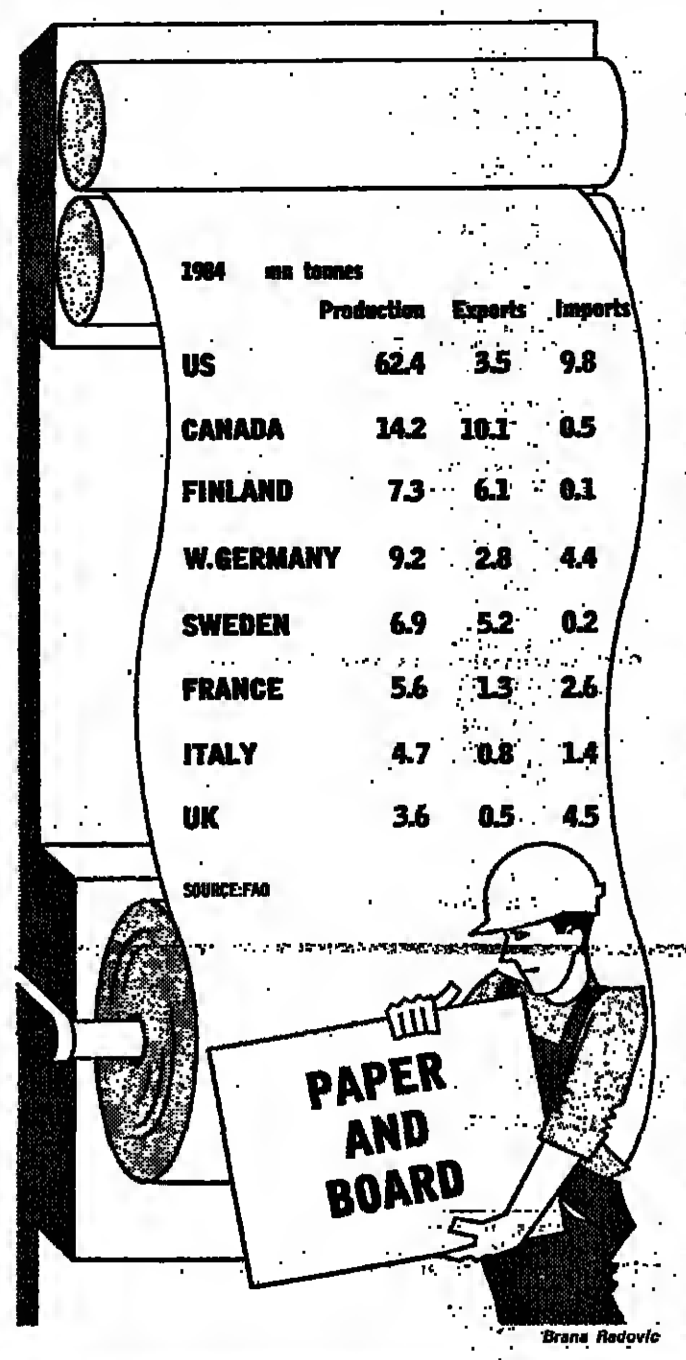
Austria is a precisely opposite case—an industry which has strengthened its export performance remarkably in recent years. Again, says Mr Geginet, the key bas lain in investment.

"They were conceroed that if they didn't invest they would disappear between Germany and Italy. So they've been modernising very strongly in the past five years and in the past couple of years the results have been coming through."

Pressure on EEC manufacturers, though, seems bound to increase. In developing countries the paper industry is still in relative infancy. In Scandinavia, both Swedish and Finnish producers have the declared aim of increasing capacity and the US, wlth plenty of scope still to expand in the low-cost southern states, will be better equipped than most European countries to hold off foreign competition.

The international trend in the industry still has only a amall impact in the US and European merkets as measured in company sales and profits hut, as a recent circular from the New York hroking house Salomon Brothers puts it: "Structural change will be dramatic."

"Whet globalisation means," says Mr Gammie, "is that increasingly products will be made where they are best suited. Pulp will be made in developing countries, lightweight coated paper where you bave economies of scale and cheap weter and power—like here in the US—end, increasingly, the Europeens are going to bave to specialise."




1984 mn tonnes

| | Production | Exports | Imports |
|---|---|---|---|
| US | 62.4 | 3.5 | 9.8 |
| CANADA | 14.2 | 10.1 | 0.5 |
| FINLAND | 7.3 | 6.1 | 0.1 |
| W.GERMANY | 9.2 | 2.8 | 4.4 |
| SWEDEN | 6.9 | 5.2 | 0.2 |
| FRANCE | 5.6 | 1.3 | 2.6 |
| ITALY | 4.7 | 0.8 | 1.4 |
| UK | 3.6 | 0.5 | 4.5 |

SOURCE: FAO

Brana Radovic

# Men and Matters

## Robinson takes over at IFS

The appointment of Bill Robinson as director of the Institute for Fiscal Studies is as unlikely to please Arthur Scargill, leader of many of Britain's miners, as was the conferring of a knighthood on Ian MacGregor.

Robinson's views on the coal industry are distinctly hawkish. He regards widespread closures both as inevitahle and as the only long-term saviour of the business. MacGregor, he implies, has merely been pussy-footing around.

Robinson's muscular research into the prospects for coal may in fact have tipped the balance in his favour with the IFS. A long-standing macro-economist, with a forecasting bent, he needed e nitty-gritty piece of analysis to present to the ardent microimen of the institute.

He very much admires John Kay, his predecessor as director. Kay, was, he say, a tremendous innovator. But you need a *different team* to stay in the first division to the one with which you won promotion. I aim to keep the IFS et the top."

Oddly, although be boasts of an A-level in economics and took PPE at Oxfnrd, Robinson's doctorate is in philosophy. He is like Peter Jay, he says, in having switched successfully to economics in mid-stream. He spent some time at Sussex University, "when it was trendy," before moving first to the Treasury and then to the European Commission. It was as a fonctionnaire in Brussels that he first took up serious forecasting, specialising in currency matters. He developed his theme at the London Business School, wbere he has been a prominent guru since 1980.

Music is a subsidiary passion. On the BBC's Panorama once, he could he observed solemnly playing the bassoon while a voice-over informed us of his equally resonant views on coal.

"It's stress—cut out watching Test matches, the World Cup and forget Wimbledon completely"

## Pollster's poll

It was just a matter of time, I suppose, before the pollsters started quizzing themselves about *their* npinions.

Bob Worcester, chairman of MORI, was at the weekend collating the results of a poll of his own 50-strong staff on their attitudes towards their work and the company.

"We've done hundreds of such employee attitude surveys for other companies," be says, "and I thought we had now reached the size where a similar exercise might be useful for ourselves."

The first thing to report is that 86 per cent of the MORI staff filled in the questionaires—much better than the usual 70-75 per cent "though I'm a bit disappointed it wasn't 100 per cent," says Worcester.

Half the staff thought they had too much work to do. Only ona said he/she could do more. "It wasn't me," Worcester admits, breaking his own anonymity rules. "I'd like to know wbo it was."

Tbere were a few suggestions that the company could ba more efficient, and better organised. But most thought the organisation was hard-working and successful.

And—heartening this for an organisation that relies on puhlic faith in its accuracy—all those polled said they believed all that MORI told them.

## Universal news

Former Mirror group chairman, Clive Thornton, wants to turn the Catholic weekly, The Universe, into a rival for the new left-of-centre Sunday newspaper he has been helping to plan.

Thornton has been an adviser to the team preparing for the launch next spring of the News on Sunday. Trade unions are putting up most of the money. But, irritated by the "ultra democratic" pace of decision making, he has moved away from the group and is about to become a director of a company formed by the church-financed Catholic Media Trust to buy and run The Universe.

In today's edition of UK Press Gazette, Thornton says the News on Sunday team are "ldealists in a world where you have to make things happen."

The board they appointed is chaired by Nicholas Horsley of Northern Foods, and incindes the award-winning journalist, John Pilger, who parted company with the Daily Mirror after Robert Maxwall took over. They are about to advertise for a Manchester-based editor.

While they are recruiting, Thornton wants to turn The Universe—currently puhlished on Thursdays, hut sold mainly et church doors on Sundays—into a full Sunday newspaper.

Thoroton says: "Two-thirds of The Universe's market is right in tha middle of what the News on Sunday keeps talking about."

Monsignor George Leonard, who will represent the Catholic Media Trust nn the new Universe board, says: "It nsed to sell 300,000 copies. It's down now to about 130,000. I think the half million figure Clive is talking about is very attainable. We want to sell more to Catholics but we also want a broader reader profile; a paper which will have a Catholic approach but report more than just Catholic news."

## Different tastes

A tale of cultural—and culinary—shock comes to me from the Nissan car assembly plant near Sunderland, in north-east England.

The introduction of unfamiliar Japanese dishes alongside such British staples es fish and chips or steak and kidney pud has caused much light-hearted bemusement among the locals.

But the native diet, in turn, has puzzled many a visiting Japanese manager. One was recently seen loading his plate with rice and barhecued chicken. He then proceeded to the sweets counter and asked *for a dollop of custard to be ladled over it.*

The serving staff politely told him that was not the use for which the custard was intended. When the Japanese visitor persisted, the chef was called.

A sweet item should not be mixed with a savoury, the chef explained. So why, asked the Japanese manager, did the canteen serve a peach slice with pork and a ring of pineapple with the gammon?

Stumped by such logic, the chef resignedly poured the custard over the chicken and rice.

## New lines

Visitors to the Nissan plant, I can also report, have been puzzled by the appearance of red and white lines in the aisles between the production tracks. Some new Japanese production technique? Not demarcation signs, surely?

"They are badminton courts," one of the managers tells me. "Tha lads like a game after work."

**Observer**

## Foreign Affairs: Europe's defence

# Beyond the atomic mantra

By Ian Davidson

European governments cannot talk seriously about defence if they concentrate too heavily upon nuclear weapons like Polaris (left) and France's nuclear strike aircraft, the Miraga 4000 (right)

IT IS a truth universally established that when a politician speaks about nuclear weapons he is all too liable to take leave of his senses. His eyes glaze over, his glassea fog np, his voice rises an octave, his courage deserts him, and his brains turn to glue; he is speaking of The Most Important Question, of the Mighty One before whom all must bow down; therefore he is not merely entitled, he is expected, to talk ecstatic nonsense.

The mesmeric effect of the atomic mantra is most pronounced in Europe, where tha nuclear quandary poses the most difficult problems; but it also shows up on tha other side of the Atlantic. President Reagan and his faithful ecolytes chant a spaced-ont saga of e leak-proof astrodome to ward off The Mighty One; Mr Richard Perle of the Pentagon asserted the other day that any US senator who was not in favour of equipping one extra B-52 with air-launched cruise missiles was on the side of the Russians.

In France, for over a quarter of a century parties of all persuasions have babbled in close harmony about the bomb, though they may now be starting to wake from their long sleep. In Britain, the Conservative and Labour parties beve long suffered from the same hypnosis, even if their incantations have been diametrically opposed; the SDP and Liberal parties were, until recently, making valiant efforts to talk sense, but last week they, too, relapsed.

The spell is the belief that, because nuclear weapons are ao awful they provide the unique key to the most important qnestion, how to unlock the door to a nationally-independent

### The primitive totem of a national nuclear deterrent

security policy. In the long-standing French version of the dream, the mere possession of *la bombinette* was represented as a sort of Maginot line in tha sky, conferring absolute security on the national sanctuary, regardless of anything which might happen across the frontier. In the Labour Party's dream, the bomb is transmogrified from saint to Satan; if it can be cast out, even at the cost of leaving the Atlantic Alliance in ruins, Britain will be able to creep away to safety under some large wet stone, thanks to the pacfic forbearance of the Soviet Union. Conservatives sound wide awake when they emphasise Britain's commitment to the Alliance; bnt in the dark they worship the primitive totem of a nationally-independent nuclear deterrent, even if its purpose cannot be rationally explained.

The plain fact is that, if you are n medium-sized European power and if your problem is the putative threat from tha Soviet Union, you cannot have n nationally-independent defence policy. For other purposes, maybe: for fighting the Libyans in Chad, for example, or for fighting the Argentinians in the Falklands; but not for facing the threat from the Soviet Union.

For medium-sized powers like Britain and France, nuclear weapons may be, or may become, significant in some last resort—in which case they would be, of course, not just significant, but critical. But this last-resort characteristic of nnclear weapons makes them at best conditional: dependent for their rationale and eventual utility on an integral relationship with the rest of the defence posture. If there is security to be had, it is only through joining forces with other countries whose ultimate interests will inexorably be the same; and nuclear weapons will make sense only if they are in some coherent way integrated in that alliance context. The idea of a nationally-autonomous nuclear force, separate from the rest of the defence policy, has a primitive appeal; in psychological terms it may serve some domestic political purpose—for example, to create a sense of trust in the elected government; but so long as it is purely national, its function cannot be rationally explained, and it remains magic.

The French are beginning to awake from their Gaullist dream, to acknowledge that their nuclear force cannot provide a perfect sanctuary for France; and that even if it did, French national interests would be profoundly, perhaps fatally, damaged by any geo-political shift east of the Rhine. They have yet to find a way of reconciling the political appeal of national antonomy, which has for eo long preserved them from the bitter controversies of other European countries, with the need for a more alliance-oriented defence policy. But et least they have started talking about it.

When Britain first set out to build a national nuclear force, it was for a confused bundle of motives: nostalgia for the greatness of World War II; reluctance to settle for second-class military status; a belief that nuclear weapone would provide a ticket to some etheral Top Table; and the need for a bottom-drawer insurance policy in case the Americans should ever go home.

Of these rationalisations, only the last remains; the rest have disappeared down the plug-hole of history. So long es the US remains committed, through n large military presence, to tha collective defence of Europe, the British (and French) national deterrents are essentially redundant. In the event of a conflict in central Europe which involved 300,000 American troops, it is virtually inconceivable that any eana British government wonld (or ehould) be prepared to cross the nuclear threshold before the US was ready to do tha same; in which case, Britain could add little to the incomparably greater fire-power of the US.

In theory, the British nuclear force would deter nttacks on British tarritory; but the American nnclear forces would probably provide an even more convincing deterrent because their nnclear bases in Britain would be obvious priority targets for the Soviet Union. Official British arguments that deterrence is strengthened by having more than one centre of decision in the West are 90 per cent waffle; the only real justification for the British nnclear force is as e bottom-drawer insurance policy if the Yanks go home.

The likelihood of sucb a departure remains incalculable. The present administration remains strongly committed to the Nato Allianee, and America's stake in Europe gives it powerful reasons to continue this commitment. Nevertheless, eerious tensions are at work.

In America there is manifest and growing unease over the nuclear dangers of a conflict in Europe. And in Europe there is serious disquiet over President Reagan'e global unilateralism, and over the recklessness which launched him into his Star Wars programme. Budgetary pressures on both sidea of the Atlantic can only add to American complaints that Europe is not doing enough to contribute to Western security. And if President Reagan's gamble on the arms control front turns sour, it could mark a watershed in transatlantic relations. A new American president might be more amenable to European influence; but it is difficult to believe that the structural straina are likely to diminish and impossible to assume that American troops will be in Europe for ever.

So, if the Americans ever did go bome, what then? The trouble with the insurance policy argument for Polaris/Trident is that it does not provide an answer to the question by itself. A small independent national nuclear force would bave very uncertain deterrent valua in the face of the vast Soviet arsenal, and would make little sense unless it waa closely integrated with the conventional defence of Europe.

The traditional assumption has been that Europe could not provide itself with a credibla convantioal defence against the Soviet threat; certainly, European governments have dooe their best to evade the question, partly because they were anxious to retain the deterrent capability of the US nuclear arsenal, partly because they were reluctant to face the costs of higber defence spending. Yet in terms of population, gross national product, industry, technology and political stability, Europe is not at a disadvantage to the Soviet Union. In the face of absolute necessity, it is hard in see any objective reason why Europe could not defend itself in conventional terms. There is only one absolute condition, of conrse: that the defence postures of the European countries would have to be mnch more closely integrated than they are at present. And that means advance preparation, since it could not be improvised overnight.

Last week's joint report by the SDP and Liberal parties on Defence and Disarmament made a valnable attempt to wrestle with some of these problems. Unfortunately, attention was once again distracted by a recurrence of that narrow, long-standing qnarrel over whether Britain should keep a national nuclear force. Dr David Owen says yes, absolutely; in search of compromise, the report said maybe.

But on the broader and more important questions of Britain'a defence and security, Dr Owen and the joint commission both etress the same central point: that the objectives are closer links with Britain's European partners, a stronger European pillar within the Atlantic Alliance, and a more united European voice in talking to the Americans. Precisely how these are to be achieved is left somewbat in the shadows, but the political direction is unmistakable. "It has always been inevitable," says Dr Owen. "that a force would emerge from under the shadow of the US that was fundamentally European in outlook and interest. . . . If there could be

### US dominance of Nato must end, says Dr Owen

a tripod of Franco-German-Anglo understanding, the so-called European pillar within Nato would be immensely strengthened. . . . The US dominance within Neto must end."

Whether such an evolution is inevitable seems in me debatable: many European governments will resist it, for fear of irritating the Americans before it bappens, and out of reluctance to eccept the consequences. What is certainly not inevitabla is that any shift in the European-American relationship will be on terms that are necessarily favourable to Europe's long-term security. That will happen only if the key European governments start to talk seriously about the broad problem and ways of handling it; but they cannot talk seriously if politicians remain fixated on narrow nuclear issues.

## Lombard

# Mutual distrust on nuclear power

By Max Wilkinson

ARE BRITAIN'S Magnox nuclear reactors ready to be pensioned off? The oldest haa been operating for a quarter of a century, and most of the 18 reactors of thie type are more than 20 years old.

Moreover, the design of this first generation of nuclear power plant is obsolete in many respects. Corrosion problems proved worse than the designers expected, while safety specifications bave tightened steadily since.

Even before the accident at the Soviet nuclear reactor at Chernobyl, Britain's Nuclear Installations Inspectorate and the Central Electricity Generating Board were engaged in a detailed review of the safety of the elderly Magnox plants. Now, in an atmospbere of general fear and suspicion about nuclear safety, the investigation will come under a mucb barsher spotlight.

In the present climate there will be strong political pressures to play safe, by closing down some older nuclear stations earlier than the experts say is necessary, but the financial penalty could be buge: the capital costs are almost written off and the running costs are very low. The CEGB estimates that the Magnox stations will save the country £1.5bn for every additional five years they stay in service. That is the equivalent of 25 medium-sized bospitals or 6,000 scanners.

### Snippets

If the public is to debate nuclear safety it is particularly important that it sbould be well informed. However, some of the recent efforts to stir up public interest in the subject have been discouraging. For example, a Thames Television TV Eye programme last Thursday used a leaked internal report from the Central Electricity Generating Board without any official comment from the CEGB. Lord Marsball, the chairman, offered to be interviewed only if the interview was live, but this was rejected.

Such mutual distrust can only spread public confusion. The reports being prepared on the early Magnox reactors already run to more than a bundred thousand pages.

Investigations by TV reporters uncover only snippets of the information already known to the inspectorate. The idea that bolts on the main reactor frame are getting progressively rustier aounds alarming on the face of it. However, inspectors may decide as they bave in tha past, that the reactors are safe because the overall design can easily cope with a few individnal failures. Even if a large nnmber of bolts were to shear at the same time as the rupture of a pressure tube in the beart of the atomic pile, they atill may be aatisfied that the reactor would shut itself down harmlessly.

### Safeguards

Most people are familiar with a aimpler form of this risk assessment. Nobody would drive a car, for example, if they believed the throttle was likely to jam in the fully open position. But drivers accept a remote chance of this bappening because they know that they could switch off the ignition. In the case of a nuclear safety analysis, the dangers may seem vivid and are indeed emphasised by the safety engineers. But the safeguards may depend on a quite different part of the system not understood by the public.

Hitherto, most people have been content to leave these complexities to the experts, but after Chernobyl greater openness will be inevitable. Voters will refuse to accept nuclear power unless they can be persuaded to feel as safe as they do with their car.

Clearly, laymen cannot be expected to read thousands of pages of technical analysis, but mucb better efforts will have to be made to explain in some detail exactly bow safety systems work, and to ensure the main points can be understood by anyone interested.

Power station workers and their families appear to have no difficulty in accepting the industry'a case that reactors are safer than cars. But the nuclear engineers grossly under-estimated the scale of the task in convincing the rest of the population. The old posture nf defensive arrogance dies hard, but unless the industry adapts fast it will be voted out of existence.

# Letters to the Editor

### Copying the Japanese

*From the MP for Amber Valley*

Sir,—I regrer having to take issue with my old friend Jimmy Bake of Rank Xerox, but some of the points made by him in defence of the EEC's investigation into the dumping of photocopiers (June 10) were a little misleading.

Although Rank Xerox imports only a tiny number of fully-assemblad copiere from Japan, almost all of its lower and lower-medium range machines, representing well over half of volume sales, are assembled from kits imported from its Fuji Xerox associate in Japan. There is, therefore, virtually no significant European manufacturer of lower and lower-middle range office copiers—Océ of Holland specialises in upper-middle range machines, Develop is a tiny company now owned by Minolta and over the past five years Olivetti, Olympia, Pelikan, Apèco and Gestetoer bave all ceased copier manufacturing.

The issue, however, is not, and should not be, wbether Europe has n viable photocopier manufacturing industry, but rather wbether the Japanese are dumping copiers. Tbe answer is a clear no. The Japanese have achieved their market leadersbip in the lower and middle reaches of the market quite simply by supplying well designed and generally reliable photocopiers of the kind that businesses wish to buy. Their efforts were facilitated by the fact that during the period of the main Japanese push into Europe, Xerox was selling largely obsolete and reconditioned copiers at the lower end of its range. Since the launch of the vastly better "10 Series" in 1984, Xerox's market share bas risen.

Tbe effects of anti-dumping dutica would be as follows: higher profits for Xerox; some more assembly plants for Japanese copiers in Europe—these would create very few extra jobs but would consolidate tbe Japanese bold on the market; and substantially higher pricea for copier buyers. This is actually what bas happened as a result of the ludicrous anti-dumping duties imposed on the Japanese electronic typewriter manufacturers.

If, however, the Japanese are genuinely guilty of dumping photocopiers, that guilt surely must be shared by Xerox, Olivetti, Olympia, Gestetner, Triumph Adler, Océ and all the other European companies which sell Japanese copiers as part of or all of their copier ranges.

To pretend that the European industry has been clobbered by the unfair trading practicea of the Japanese is simply to bury our heads in the sand. The Japanese in most fields have succeeded simply by producing good products, taking full advantage of the availabla technology, and marketing them well. Unless we realise that, we have no chance whatsoever of sorting our own industries out.

Phillip Oppenheim.
*House of Commons, SW1.*

### Soviet move amounted to EEC recognition

*From Mr J. Boyd, QC*

Sir,—You reported (May 29) that the Soviet Union now appears to be willing to "recognise" the EEC.

In fact, the Soviet Union has already done something which must be equivalent to formal recognition of the Community. In 1983 its trading organisation Raznoimport sued the European Commission in the European Court of Justice in a case concerning tha dumping of nickel. A Soviet representative was asked at the time of the bearing in Luxembourg wbether this first use of a Community institution by the Soviet Union had any political significance. He replied, rather blandly, that it had none.

John Boyd, QC.
*Avenue de Cortenbergh 118-128, Brussels.*

### Yob rule—arma virumque cano

*From Mr D. J. Sawyer*

Sir,—My attention has been drawn to the letter (June 10) from Mr G. M. Simon, and his version of the encounter in Wellesbourne, Warwickshire with an eponymous "yob."

I recently visited Wellesbourne on my small motorbike in order to purchase a yerd of its renowned frozen sausage. Upon leaving the village I was nearly forced off the road by the driver of a red Aston Martin — to wit Mr G. M. Simon who was proceeding "in mediam viam."

The fanciful report of tha ensuing altercation, while leaving me in no doubt as to Mr Simon's literary ability and expertise in the disciplines of biology and physics, demonstrated an ignorance of contemporary phenomena, viz his failure to distinguish between a frozen sausage and a jeck handle.

Indeed, Mr Simon also exhibits little practical mechanical knowledge if he believes that a small motorbike is equipped with a jack. This ignorance of the modern world, alas all too common among Latin acholars, is perhaps not unconnected with this country's notorious decline as an industrial power.

Although I am indebted to Mr Simon'a exegesis of the primary meaning of "educere," I find his edncing of the secondary meaning, i.e., to beget, with reference to my sausage, frozen or otherwise, prurient in the extreme.

It is clear from the foregoing that Mr Simon's contention is defective as, in my case, the experience of disciplined learning and even a resulting knowledge of Latin, does not, per se, provide a guarantee against the imputation of "yobbere" (infin?).

D. J. Sawyer.
*11 Glenloch Court, Glenloch Road, NW3*

### VAT simplification would save £1.6bn

*From Mr J. C. Holland*

Sir,—I should like to correct the impression given in Graham Bannock's article (Jnna 3) that the National Federation of Self Employed and Small Businesses is seeking, in effect, to replace VAT with a comprehensive sales tax.

The truth is that VAT alrendy is such a tax. Despite its name, it is certainly not a value added tax.

Consider two simple transactions. A retailer (R) buys goods from a wholesaler (W) for £120 plus £18 VAT in March. He sells those same goods to a member of the public (P) in September for £160 plus £24 VAT. If value added tax theory is to be believed he will remit to the Government £6 consisting of the £24 received from P less the £18 paid to W which be is entitled to reclaim.

Not so. There is no relationship whatsoever between the tax which a business claims on its purchases and that which is remitted on its sales. R will reclaim the £18 paid to W in March and remit the £24 received from P in September. Meanwhile W will be remitting the £18 he has received from R. If his quarterly return is made in March the Government will receive £18 from W and repay it to R in the same month. If W's return is in April, R will reclaim the £18 one month before it is received from W. If in May the Government will repay the £18 two months in advance of the receipt.

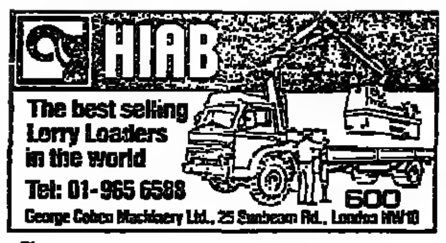
What is clear is that, regardless of when W remits the tax and R reclaims it, the Government will receive nothing from that transaction but will receive the whole of the yield from the goods via the output tax return of R. Every VAT registered business throughout the EEC is required to record, return and remit VAT on its sales to other similar businesses while its customers are forced to record, return and reclaim identical amounts with no benefit to anyone in the process. Governments throughout the EEC employ thousands of civil servants to check this unnecessary work. Shortly the UK will impose swingeing penalties on businesses which do not process these useless returns within 30 days.

Equally importantly, payment of the tax between registered businesses rednces the total yield. As the example above shows, the whole of the £24 VAT dne on the sale of the goods is paid by P to the retailer. That £24 together with VAT on all aales to the public during the quarter to September is included in R'a output tax return. From this he deducts VAT paid to his suppliers for that quarter. By this means the major part of tha VAT yield which would otherwise have been paid directly to the Government is being passed back to his auppliers for collection. His suppliers also bave suppliers and so on. Each transaction between registered businesses merely spreads the yield which has already been received and accounted for by the retailers among all registered businesses for collection. In addition to unnecessary administration and compliance costs the Government is also losing in the region of £500m a year of the yield through fraud and evasion prior to the retail stage.

The common sense solution therefore, is that advocated by the federation, to zero-rate credit transactions between registered businesses. This would eliminate all the unnecessary work and wastage and would save the UK economy alone about £1bn n year. It would not changa the nature of the tax bnt merely rationalise its administration. It would do this by use of the zero rating mechanism which is an integral part of the existing tax and in e manner which is wholly consistent with the EEC VAT directives.

The Humphrey Applebys of Customs and Excise, having dropped an almighty clanger when they produced the 1971 Green Paper on VAT, have prevented Treasury ministers from learning the truth by using every weapon in their considerable armoury. They have been assisted in this by the Institute of Chartered Accountants in England and Wales, whose policy-making members espoused the mistaken view of the tax given in the Green Paper.

J. C. Holland, FCA.
*VAT/Tax Committee, NFSE and SB, 29, Moorland Rd, Stoke-on-Trent.*

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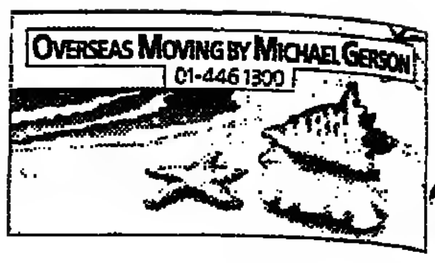



Terry Byland on Wall Street

# Uncertainty rules the day

A STOCK MARKET still apparently lacking direction and, sometimes, simple rationality, offers ample opportunities for the bold, or, some would say, the fnnlhardy.

At the beginning nf the week, wben the employment data seemed to indicate a sluggisb economy, Wall Street dropped. Quite right, except that nn Friday, when the industrial production numbers appeared to be saying exactly the same thing, Wall Street soared.

Turnover was restrained in both sessions, and the bond and stock index futures were driving equity trading programmes.

The uncertainty nver the pace nf the US economy lies at the beart nf the stock-market dilemma because it overrules all other arguments about the nutlook for interest rates and for the policies of the Federal Reserve, and of course corporate profits.

Few Wall Street analysts are prepared to take an outrigbt bearisb stance nn the economy and therefore on the stock market. The balance nf opinion is that the economy, and the market, are pausing before resuming the advance.

Fnr those taking that cyclical view, the food and retail sectnrs bave been attractive recently. But those stocks are particularly vulnerable to rising unemployment and bave come under a cloud since the disclosure that unemployment increased in May to 7.3 per cent.

| Company | Price | Yield |
|---|---|---|
| Enron | 41⅞ | 6.1 |
| Transco Energy | 48 | 12.1 |
| Pan. Eastern | 40 | 5.7 |
| S + P 500 | 245.21 | 3.36 |

The mainline industrial stocks, which might be expected to lead the way forward again when the direction of the economy becomes more clear, still look vulnerable to a market shakeout, especially one sparked off in the stock index futures.

But energy stocks, despite the uncertainty in crude oil futures, have begun to attract interest. It is a little too early for bargain bunting among the major oil stocks – although they might quickly respond to a recovery in crude prices.

ft is the oatural gas issues that have begun to move into focus and to attract the takeover speculators, whicb are always the first sign nf spring for stock prires.

Natural-gas prices have steadied in the past month and appear likely to ride out the summer months. As in the case nf oil, the searcb rig count bas fallen dramatically and now stands at a post-war low. Unlike oil, bowever, a sudden recovery in demand could not be quickly supplied from outside the US. Even a harsh 1986–87 winter would mean a quick rise in demand.

Takeover speculation lay behind the upswing in May and is likely to continue spurriog many stocks ahead. Enron, fnrmerly Internorth, went ahead strongly in May and is now repeating the performance in the current month. The gain in the sbares, which is believed to reflect demand from leading US and foreign institutions, is a pointer for the rest nf the sector.

Enron's earnings, it is generally accepted, might be dnwn this year, so those leading buyers must have confidence in the restructuring put into effect since the 1985 merger with Houstoo Natural Gas. For the sbort term, Enron's planned recapture from the pension fund might add $40m to this year's net profits.

Transco Energy attracts both permanent investors and takeover hopefuls because of its higb yield. The yield includes the payout in units of TXP (Transco Exploration Partners).

After Friday's extraordinary rise in the stock market, crystal balls may become standard issue for Wall Street analysts. But the last peak in Wall Street was swiftly followed by the biggest one-day fall since this widely quoted market index was invented.

# Standard Oil issue will be linked to spot price

BY WILLIAM HALL IN NEW YORK

STANDARD OIL, British Petroleum's majority-owned US subsidiary, is raising $250m by issuing a new type of security to enable investors to benefit from future rises in the price nf oil.

It is believed to be the first time a leading nil company tias issued debt securities linked to the price of nil, and is the first sign nf the financial innovations that Standard Oil's new senior management team is planning to introduce to strengthen the group's balance steet during a period of considerable volatility in world oil prices.

The company plans to issue 31,250 oil index units, consisting of $250m face-amnunt of debentures due in 2001, $31.25m of detechable oil index notes due in 1990 and $31.25m nf detachable nil index notes due in 1992.

*Mr John Browne, the former* group treasurer nf BP, who took nver as Standard Oil's chief financial officer in April, says that, as part nf each unit, the oil index note will earn contingent interest pegged to increases in the spot prire for West Texas Intermediate, the benchmark US crude-oil price.

Mr Browne said: "The notes allow tiolders to benefit from nil price volatility, or to diversify their own exposure to energy costs while enjoying a guaranteed return of principle at maturity. Standard Oil is issuing the securities as a means of bedging a portion of its crude oil productinn while lowering its cost of borrowing."

The issue, which is expected to be priced over the next few days, stiould reduce Standard Oil's borrowing costs by about 2 percentage points, from the estimated 9.7 per cent cost of traditional financing, for Standard Oil.

Mr Browne said the debentures and nntes would appeal to two very different sorts of investors and were expected to trade separately.

The debentures are aimed at, more traditional investors who like to buy paper issued at discount and the oil index notes are aimed at investors who might be linked to big *oil users such as airlines, shipping* companies and utilities. For companies such as those, the notes provide some insulation against the negative effects of the rise in oil prices on their business.

Although the issue has not yet been priced, it is understood that if the price of oil were to recover from its current level of about $13 a barrel to about $30 a barrel, during the life of the security an investor could expect to earn the same sort of return as on a similar maturity corporate note. However, if the price of oil were to rise to $40 a barrel, an investor would earn a considerably higher return on the paper.

The debentures will be issued at a discount of about 75 per cent. Interest nn the oil index notes will be paid only upon maturity or redemption and will be based on the excess, if any, of the spot price of West Texas Intermediate (up to a maximum of $40 a barrel) above $25 a barrel multiplied by a certain number of barrels which will be determined separately

First Boston and Lazard Freres and Co will manage the issue and the notes and debentures will be listed on the New York Stock Exchange. The money will be used for general corporate purposes and *Standard Oil says it will earmark* between 10m and 15m barrels of oil to cover the notes.

While the oil index notes are relatively small items in Standard Oil's total borrowings, Mr Browne said that if the issue was a success he expected that Standard Oil would issue further units of similar securities.

**International capital markets, Page 21**

# Britons rise and shine to working breakfasts

By Anna Healy Fenton in London

FORGET the business lunch. The business breakfast is the oew success symbol in London.

Like sneakers and Superman, it started in the US, and American business people seem to have boundless enthusiams for meeting at dawn.

"I'm big into power breakfasts," booms Mr Bob Payton, a native nf Chicago wbo owns the My Kinda Town chain of restaurants in London.

London business people are not so keen, but find it hard to refuse a breakfast appointment.

"Of course, they are just trying to impress people," says Mr Julian Payne, manager of The Ritz, wbere many breakfasters meet.

"It's the influence of the Americans. Their market rises early and finishes early, and ours rises late and finisbes late."

Many British businessmen are unconvinced. Mr Anthony Alexander, a director of Hanson Trust, the diversified multinational group which is big on both sides of the Atlantic, is not enamoured of "this strange American habit."

He will meet people for breakfast, but prefers not to. If it is that important, the business can wait for dinner when there are no time constraints.

"With the Big Bang, all the City [of London] institutions are becoming more Americanised but breakfast meetings will never catch on with industry," he thinks.

Mr Payton disagrees.

"Typically the guy you want to see is booked up three weeks ahead. Suggest breakfast tomorrow and if he is serious be'll meet you.

"British businessmen want to be more successful. The only way is to stretch the day with work over breakfast. Sometimes I have two breakfast meetings in a morning, starting at 7.30," says the tireless Mr Payton.

Lord Hanson, cbairman of Hanson Trust, the man who in some ways epitomises the successful British businessman, will conduct business at any hour of the day or night, according to his fellow Hanson director Mr John Pattison.

Mr Roland "Tiny" Rowland, chief executive of Lonrho, presided over ooe of the most famous hreakfast meetings of recent years. He breakfasted at Claridges, the London hotel, with Mr Robert Maxwell, now publisher of the UK national newspaper, the Daily Mirror, in 1984, to discuss tha possible sale of The Observer newspaper.

The deal fell through, but Mr Rowland obviously grew to like the idea of hreakfast at Claridges. He was seen discussing business there at breakfast twice last week.

Guinness, the fast expanding brewing group, has not yet adopted the early-morning meeting.

Bacon and eggs are still as popular as ever. No one is weight-watching in the morning and the occasional breakfast never hurt anyone, says Mr Julian Payne, manager of The Ritz.

"Corporate waistlines are in good shape."

Ms Debbie Moore, chairman of Pineapple, the dance studio group, is surprised that the British breakfast is so popular but admits to eating the full British Rail version when she bolds meetings on her favourite breakfast venue, the train.

Discretion is assured at Claridges and The Ritz, two of the most popular meeting places.

"They give me a wink and a nod and I know to seat them in the alcove or in the corner where they will not be overheard," says Mr Nobby Clark, breakfast head waiter at Claridges.

Business and food have always gone together.

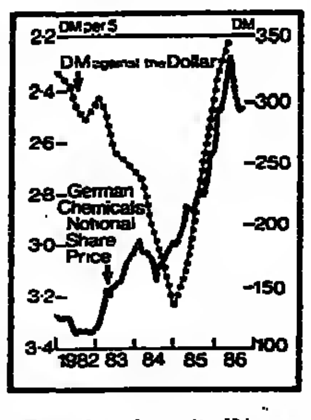
"It's the old adage about not doing business with someone until you see how they hold their knife and fork, and it still holds good," says Mr Payne.

The only difference is that now it happens at 7.30 in the morning instead of lunchtime.

THE LEX COLUMN

# Chain reactions on the Rhine

For years, the West German stock market treated the three great national cbemical companies as if they were still part of the old Farben trust: share prices, dividends and reported earnings moved more nr less in tandem. If Hoechst announced a rights issue, could Bayer nr BASF be far behind? Bank managers recommended to their captive clients whichever share their Frankfurt colleagues were longest in.




Today, 42 mnnths into the longest cyclical upturn in German chemicals since the Second Wnrld War, the Farben heirs are losing touch with one another. All basked in three years of a rising dnllar and a relatively stable European Monetary System. All bave been as skilful users of the West German capital markets as the banks themselves, and each raised around DM 1bn last year, topped up their interest cover and pension funds, kept the environmentalists just about at bay and provided against every risk from the sky falling in to not winning the World Cup. They now boast a percentage of equity to capital employed that is opulent by German standards. But investors are no longer being offered the same thing by each.

## Bump

Last year, Badische (BASF) raised its pre-tax profits at double the rate of Bayer and Hoechst. In the first quarter of this year, and excluding its US acquisitions, these fell with a bump that could be heard as far away as Frankfurt. Although all three companies murmur the fashionable stuff about higher added value, and all are invading the US, they are, in fact, proceeding in very different ways. While Bayer and Hoechst are running out of hulk chemicals and into pharmaceuticals and crop protection, Badische remains set on maintaining every stage of the production process, coal mining and oil wells included.

The fall-out has drifted and settled over Frankfurt. Whatever the usual backroom adjustment of German earnings is worth, Badische is rated at a discount to both Bayer and Hoechst and is probably the cheapest major chemical share in the world.

Anglo-Saxoo fund managers approve of Bayer's research pipeline, in both pharmaceuticals and agrochemicals, and are flattered that a non-chemist is running the company. Bayer bas sbown itself increasingly impatient nf loss makers, whether camera plants in Munich or plastics in the US: the sale of the Metzeler rubber operations to Pirelli has effectively cleaned up the group. It is relatively under-exposed to the problems of US agriculture.

## Shirt

Hoechst, for all its ability to lose its shirt in the US last year, bas also shut plastics plants and rejuvenated its fibres business. But Badische, with all that unfashionable chlorine, ethylene, polyethylene and ammonia, is the dng of the demand cycle – wberever that may be with the collapse of oil prices.

Yet Badische could once again outdo its colleagues this year. The collapse in feedstock prices has not been much nf a blessing at Ludwigshafen so far. Refinery stock losses wiped out historic-cost first-quarter earnings from the oil and gas business.

Further downstream, the appreciation of the D-Mark chewed away some of the margin provided by cheaper feedstocks while customers took the rest: any customer can watch the price of naphtha halve and exploit the overcapacity to bully suppliers. Badische has been forced by the lowering presence of Norsk Hydro to cut its fertiliser prices in Europe. What happens when customers return from Bali in August and find their stock cupboards bare is another matter: Badische could be making real money in the second half of the year.

*Badische* was left with its 19th-century businesses when the Farben trust was broken up; and it shows not the smallest wish to drop its 19th-century integration. Thus it will cut its exploration budget for oil and gas, and buy cheapish US production instead to maintain an iron depletinn/reserves ratio; and it will go on churoing out commodity chemicals so lnng as costs at Ludwigshafen are low enough to make its own production competitive – even against Saudi plants with their captive feedstocks.

All three companies are net losers from a stronger D-Mark, but the sheer size of Ludwigshafen puts Badische at a disadvantage. The disinflationary strain upwards on the D-Mark wipes out efficiencies in competition with the US producers and ICI. Badische's US spending spree thus makes a sort of eccentric sense: its exports from North America now exceed those from Ludwigshafen to the US.

It is tiard to be very enthusiastic about these acquisitions when, say, Bayer has bought back much of its American trade mark in the US and could be back on the way to building up a consumer presence. German companies have never been very good at haggling for US assets (or, for that matter, at managing them) but Badische has paid through the nose with good German cash flow for inflated dollar assets.

The arguments sound more convincing in Germany than the US. Badische gains critical mass in fibres, a strong position in supplying paint to the US motor industry and entry (alongside Imperial Chemical Industries) to high-performance plastics fnr aerospace uses. The only mitigation is that Badische was profitable enougb last year to write off the goodwill with German thoroughness: for all Badische's operatiooal gearing to the demand cycle the sheer speed with which German chemistry depreciates its assets mitigates the financial leverage implied by the heavy debt structure.

## Result

The result is that while the earnings momentum has vanished for Hoechst and Bayer this year, Badischa has a reasonable chance of broadening its margins in the second half. While Bayer and Hoechst are successfully tailoring themselves to foreign fund managers' taste, Badische is also an incomparably stronger company than three years ago. Time must show whether the European state companies will go oo cutting capacity, but Badische has every chance of calling the moves on a chess-board that is moving slowly towards endgame.

# GM expected to cut UK jobs after failure of truck talks

BY PETER RIDDELL AND KENNETH GOODING IN LONDON

GENERAL MOTORS of the US is close to announcing a redundancy programme for its Bedford commercial-vehicle subsidiary in Britain.

That follows the collapse last Marcb of talks between the UK Government and GM, which wanted to buy state owned BL's Land Rover-Leyland commercial-vehicle division and merge it with Bedford.

The negotiations foundered after 18 months wben the Government found it impossible to work out a formula to satisfy its backbench MPs by keeping Land Rover in British hands. BL ultimately decided to keep the Land Rover business, possibly to return it to the private sector by way of a stock-exchange flotatinn in two or three years' time.

GM, the world's largest automotive group, was expected eventually to return for further talks about Leyland Trucks alone, once the beat had gone out nf the situation.

Instead, GM appears to be seeking its own solution for Bedford, which has facilities in Luton and Dunstable, north of Londnn.

In 1984 Bedford suffered a net loss of £62.4m ($95m) and an even greater one last year.

Uncertainty over Bedford's future and a rapidly ageing range of trucks have had an adverse impact in the UK market and last year Bedford was overtaken by Daimler-Benz, the Mercedes group of West Germany, and pushed into fourth place among the heavy truck producers.

The Bedford workforce has already been cut from 9,700 in 1983 to 6,900. Now British MPs are hracing themselves for the imminent announcement of a further substantial reduction.

GM is likely to soften the hlow as much as possible by offering generous redundancy terms.

The US group seems to have run out of potential partners for Bedford. Talks with Enasa, the state-owned Pegaso truck and bus group of Spain, and MAN of West Germany fell througb before the discussions with Land Rover-Leyland were aborted.

It is believed that GM subsequently approached the French Government about a deal with state-owned Renault's truck division but the talks did not get very far.

Mr Eric Fountain, director of public affairs for GM's Vauxhall and Bedford subsidiaries, said at the weekend that various strategies for Bedford were being considered but no decisions have been made yet.

He admitted that the severity of Bedford's difficulties after the potential merger with Leyland fell through might call for drastic action by GM. "But we will tell our own people first and there is no way I am going to speculate about what the eventual outcome might be," he said.

Mr Fountain said there bad been no further contacts with the UK Government or BL after the collapse of the takeover talks.

*Bedford's financial results* for 1985 had recently been finalised, he said, and they would be published in the next week or so. Bedford's loss was "at least at the 1984 level."

The lossses are partly due to an expensive transitional phase at Bedford during the past two and a half years in which the van operations at Luton have been rationalised at the cost of about £50m

# OECD urges swift reform on Portugal

BY PAUL BETTS IN PARIS

PORTUGAL must rapidly implement wide-ranging reforms in agriculture, industrial relations and public spending, and encourage domestic saving and fnreign investment, to make its entry into the Commoo Market a success.

That is the conclusinn nf the annual report on the Portuguese economy tiy the Organisation for Economic Co-operation and Development (OECD). The Paris agency says actinn must be taken swiftly to ensure that the advantages of EEC membership for Portugal outweigh the risks.

Portugal must strive to increase capital formation, improve and adapt professinnal training and make hiring and firing conditinns more flexible, the OECD says. It gives a warning that fnreign investors might be put off despite Portugal's lower absolute labour costs if they feel labour market conditions are not sufficiently flexible.

The OECD says EEC entry will gradually opeo oew markets for Portugal, offer the benefits of Community financing, and may also help encourage foreign investment. But it will also open the domestic market and subject Portugal to competition from other EEC member countries with stronger economies.

The Paris agency recommends greater control of and, if possible, cuts in public spending. That would be best achieved by controlling civil service staffing expenditure. The OECD also recommends the public sector to shed to the private sector all those activities it can transfer under the Constitution.

It believes big curbs on spending will protiably not be enough to reduce the public deficit and that Portugal will need to increase tax revenue. The best way to achieve that *would* be to *broaden the tax base*, according to the report. It adds that that could be done by bringing more income and goods into the tax base and clamping down on tax evasion.

**Ceiling on interest rates, Page 3**

# Sales drop hits NZ farmers

By Andrew Gowers in London

FURTHER EVIDENCE of the depressed state of New Zealand's farming industry emerged at the weekend with news that the country's dairy farmers are to suffer a 44 per cent drop in their initial sales receipts this season.

The New Zealand Dairy Board – the farmer co-operative whicb markets Anchor butter among other products – said that dairying communities would lose about NZ$ 600m (US$330m) in purchasing power and "a large number of farmers will have difficulty meeting their financial commitments and most will be unable to employ either farm labour or contractors."

Mr Jim Graham, Board chairman, said: "This scenario is the blackest the dairy industry has faced since the depression of the 1930s."

Agricultural exports account for 60 per cent of New Zealand's overseas earnings, of which dairy products represent a significant proportion. But the country's dairy industry has been hit by declining exports to the key UK market as a result of Britain's accession to the EEC, and by depressed world prices and the high value of the New Zealand dollar.

This year farmers will receive an initial payout from the board of only 225c per kg of milk fat; a 44 per cent cut from last year.

"With the value of the New Zealand dollar sustained at an unrealistic level and international dairy prices depressed, New Zealand's largest and most internationally competitive export industry is in trouble," said Mr Graham.

New Zealand is mounting a big lobbying campaign to be allowed to continue butter exports to the UK in the face of a threatened French veto.

**EEC crisis over tuna price collapse, Page 3**

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 20 | 68 | Dubrovnik | S | 28 | 82 | Malta | S | 26 | 79 | Rhodes | S | 27 | 81 |
| Algiers | S | 25 | 77 | Edinburgh | - | — | — | Manchester | S | 24 | 75 | Rio de J'o | S | 31 | 88 |
| Amsterdam | S | 25 | 77 | Faro | C | 22 | 72 | Manila | S | 34 | 93 | Rome | F | 23 | 73 |
| Athens | S | 32 | 90 | Florence | R | 28 | 82 | Melbourne | C | 11 | 52 | Salzburg | S | 28 | 82 |
| Bahrain | S | 35 | 95 | Frankfurt | S | 28 | 82 | Mexico City | S | 27 | 81 | San Francisco | S | 20 | 68 |
| Bangkok | S | 34 | 93 | Funchal | C | 21 | 70 | Miami | C | 30 | 86 | Seoul | C | 19 | 66 |
| Barcelona | - | — | — | Geneva | S | 20 | 68 | Milan | C | 24 | 75 | Singapore | R | 25 | 77 |
| Beirut | S | 26 | 79 | Gibraltar | S | 24 | 75 | Montreal | C | 17 | 63 | Stockholm | S | 26 | 79 |
| Belfast | S | 21 | 70 | Glasgow | S | 24 | 75 | Moscow | S | 22 | 72 | Strasbourg | S | 26 | 79 |
| Belgrade | S | 28 | 82 | Guernsey | S | 17 | 63 | Munich | S | 26 | 78 | Sydney | F | 17 | 63 |
| Berlin | S | 25 | 77 | Helsinki | F | 24 | 75 | Nairobi | C | 23 | 73 | Taipei | R | 33 | 91 |
| Biarritz | S | 22 | 71 | H Kong | F | 31 | 88 | Naples | F | 25 | 77 | Tangier | F | 23 | 73 |
| Bombay | F | 31 | 88 | Innsbruck | S | 25 | 77 | Nassau | R | 30 | 86 | Tel Aviv | S | 26 | 79 |
| Bordeaux | S | 27 | 81 | Inverness | S | 18 | 64 | New Delhi | S | 38 | 100 | Tenerife | F | 23 | 73 |
| Brussels | S | 25 | 77 | Islamabad | S | 42 | 107 | New York | S | 29 | 84 | Tokyo | S | 25 | 77 |
| Budapest | S | 28 | 82 | Istanbul | S | 27 | 81 | Nice | C | 23 | 73 | Toronto | C | 23 | 73 |
| B. Aires | F | 19 | 66 | Jakarta | S | 33 | 91 | Nicosia | S | 29 | 84 | Tunis | S | 26 | 79 |
| Cairo | S | 33 | 91 | Jersey | S | 22 | 72 | Oporto | S | 22 | 72 | Valencia | F | 29 | 84 |
| Cape Town | S | 23 | 73 | Jo'burg | S | 16 | 61 | Oslo | S | 24 | 75 | Venice | S | 27 | 81 |
| Caracas | C | 27 | 81 | Lima | C | 19 | 66 | Paris | C | 25 | 77 | Vienna | S | 25 | 77 |
| Casablanca | [illegible] | [illegible] | [illegible] | Lisbon | [illegible] | [illegible] | [illegible] | Perth | [illegible] | [illegible] | [illegible] | Warsaw | [illegible] | [illegible] | [illegible] |
| Chicago | [illegible] | [illegible] | [illegible] | London | [illegible] | [illegible] | [illegible] | Peking | [illegible] | [illegible] | [illegible] | Washington | [illegible] | [illegible] | [illegible] |
| Cologne | [illegible] | [illegible] | [illegible] | Los Angeles | [illegible] | [illegible] | [illegible] | Prague | [illegible] | [illegible] | [illegible] | Zurich | [illegible] | [illegible] | [illegible] |
| Copenhagen | [illegible] | [illegible] | [illegible] | Luxembourg | [illegible] | [illegible] | [illegible] | Reykjavik | [illegible] | [illegible] | [illegible] | | | | |
| Corfu | [illegible] | [illegible] | [illegible] | Madrid | [illegible] | [illegible] | [illegible] | | | | | | | | |
| Dallas | [illegible] | [illegible] | [illegible] | Majorca | [illegible] | [illegible] | [illegible] | | | | | | | | |
| Dublin | [illegible] | [illegible] | [illegible] | Malaga | [illegible] | [illegible] | [illegible] | | | | | | | | |

*Readings at mid-day yesterday:* C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# ANC warning on terrorism

**Continued from Page 1**

blanket ban on meetings to commemorate the rising.

Whites have been urged by black and religious leaders to demonstrate their own shared sense of sorrow for that tragic event. The Johannesburg Star newspaper printed a yellow flower which it suggested South Africans of all races should paste up in their home or car windows as a gesture of solidarity – only to be warned that such an act would be "subversive" under the emergency laws.

Meanwhile, the funeral will take place later this week in Johannesburg of Mr George De'Ath, the 34-year-old freelance cameraman who died on Saturday.

# EEC imports ban sought

**Continued from Page 1**

offend against the EEC common commercial policy – and Ireland is planning to ban fruit and vegetable imports. Greece and Spain would also back sanctions.

The 12 Community members have already delivered clear messages of disapproval over the South African security measures, and ordered the co-ordinated closure of all their embassies today.

A senior Dutch diplomat delivered a renewed plea to the South African ambassador in The Hague on Friday for the release of political prisoners, including Mr Nelson Mandela, and the unbanning of the African National Congress, the organisation he used to lead.

SECTION III

# FINANCIAL TIMES SURVEY

# Spanish Banking and Finance

Spain has joined the EEC in fortuitously helpful circumstances. Oil prices have collapsed, and there is a general upturn in western economies. By advancing the general election four months, the Government hopes to benefit from the brighter mood.

The floor of the " Bolsa," the Madrid stock exchange

## Infected by optimism

**By David White**

THERE IS something to the adage about not crossing hridges before you get to them. When Spain signed its EEC treaty a year ago, it seemed that it would be joioing in much less promising economic circumstances than those in which Britain joined in 1973.

British entry, of course, was followed immediately by the oil crisis, wbich meant that the circumstances were not so good after all. In Spain's case, the circumstances hsve turned out to he not so bad.

The collapse of oil prices and the general upturn in western ecooomies have dispersed much of the gloom that still hong over Spain at the time of its entry into the Common Market in January. The Socialist government of Mr Felipe Gonzalez, in hringing forward the general elections hy four months to June 22, is out tn take advantage of the brighter mood.

The overwhelmiog likelihood is that Spain will return another Socialist or Socialist-led government, without any major switches in the moderate economic policies that bave marked the past four years.

The Socialist Party programme does aim at faster growth—an aim which is already being fulfilled, with the rate now expected to rise to 3 per cent this year from 2.1 per cent in 1985—but a delicate balance has to be struck.

Spain is out of line with the rest of Europe in two main respects. One is the size of its unemployment: 22 per cent of the labour force, in response to which some Socialists would wish to see more of an all-out push for growth. The other is its inflation, which, despite a reduction to single figures since 1984, remains well above that of its main trading partners, some nf which are close to zero rates.

The OECD recently cautioned the Spanish authorities to concentrate on keeping wage costs down and maintaining tighter discipline oo government spending, in the hope of creating the conditions for higher employment later on, rather than going for maximum growth.

But the Spanish have definitely been infected by the germs of optimism now floating around Europe. In fact, a better outlook had already begun to take hold last year, despite the dire warnings of EEC disaster issued by some manufacturing sectors—proof of this being the boom on the stock market.

The initial impact of EEC entry has been less than was feared. Worries about a spurt in inflation have not been fulfilled. The introduction of VAT added some extra points at the start of the year, hut the cut in oil prices has since taken the wind out the inflationary sails. The target of an 8 per cent rate this year (the same as last) with a drop next year is now generally accepted as realistic. Spain, however, still lags behind the rest of the OECD area in hringing its price increases down.

The balance of payments current account, which swung out of the red two years ago, is expected to show a surptus of \$4bn-\$5bn this year, up from \$3bn in 1985.

Imports were artificially low at the beginning of the year, after a last-minnte rush to hring goods in hefore the introduction of VAT. In the next couple of years, demand for imports can be expected to outstrip the growth of exports, and the current account will logically show a smaller surplus, Bnt it is no longer a constraint on the economy.

The potential effect of this inflow of funds on the authorities' monetary control calculations has been offset by early repayment of foreign loans.

Total foreign debt had dropped from its 1984 peak of almost \$31bn to \$27.4bn at the end of the first quarter of this year. The kingdom's only new borrowing this year is a \$500m Euronote facility to repay an earlier loan, taking advantage of better terms.

Maintainiog the principle of mooetary targets, the authorities are aiming at a growth of between 9.5 and 12.5 per cent in the wider money supply this year. A slowdown in money supply growth since March has eased fears of a resurgence in interest rates, and the Bank of Spain hopes to keep rates on a downward path, following the inflation trend.

In contrast with the export-boom year of 1984, recent growth has come mainly from internal demands. Investment, which went down every year from 1975 to 1984, except in 1980, picked up again last year with a 5.5 per cent increase. The Government expects a further 7 per cent rise this year. A growing proportion nf this new investment appears to be going into building up productive capacity.

Since late last year, Spain's new expansion phase has started to bring an increase in the number of jobs. However, it is too late to meet the ambitious targets set by the Socialists in 1982, and not yet big enough tn absorb all the new people coming on to the labour market. Unemployment, still on the rise, albeit more slowly, is now close tn three million.

Still missing, from the authorities' point of view, is support from the country's financial apparatus for oew ventures. But the extent tn which this support can be mobilised depends, more than anything, on the state's ability to reduce its own financial needs.

The state hudget deficit, whicb the banking system hlames for the high cost of credit, is a major preoccupation. Last year the deficit for the central administration slipped back up tn almost 6 per cent of gross domestic product, the level it stood at wben the Socialists came to power. The share of total resources absorbed hy the state — weighed down hy loss-making puhlic eoterprises — has been going up. The Spanish private banking association (AEB) calculates that the private sector's share of new finance dropped last year from 48 per cent to less than 41 per cent.

On the Government's success in this field hangs its leeway for reducing the so-called *coeficientes* — the system wherehy the authorities steer a large part of banks' deposits into privileged sources of finance for the Treasury and other sectors. Currently these add up to almost half of any commercial bank's deposits, but they are due tn come down progressively. Spain's banks see the reduction as imperative if they are to be ahle to compete on equal terms with other hanks in the EEC.

Under the terms of Spain's Community membership, EEC hanks will have full access to the Spanish market after seven years. Spanisb hanks, generally,

CONTINUED ON PAGE 3

CONTENTS

## Retail Banks

# A moral tale about who was in charge

THE MOST talked about event in the retail banking sector last year bad to do with the appointment of Mr Claudio Boada, an outsider, as chairman of Banco Hispano Americano.

The pattern of personalities hugging the headlines looks set for a repetition, with reshuffles at the top this year in Banesto and Banco Central. Watchers of the Big Seven Spanish banks had a growing hunch that something was bappening, hut oobody was quite certain wbat it was.

Mr Boada's sudden arrival to take the helm of Hispaoo Americano at the beginning of 1985 was well documented at the time. It was a moral tale about who was in charge and pulling the strings.

Hispano Americano was in trouble, for it was saddled with a messy acquisition of Banco Urquijo, and because its chairman Mr Alejaodro Albert, once held to be tbe young leading light of the hanking system, was in poor health just at the time when ha was most needed.

Mr Boada, a veteran troubleshooter loog acquainted with industrial difficulties, appeared as the shining white knight who held the favours of oo less a patroo than the Bank of Spain itself.

The Hispano Americano board knew that whoever was to preside over them bad to have the backing of the mooetary authorities, for there was no other way out of the swamp that the bank had landed itself in. Mr Boada was accordingly welcomed to preside over Hispano Americano's top table, as if he had been born to it.

The point was, however, that he had not been born to any such place. He had come from outside, and the whole exercise had been one of game-set-and-match to the Bank of Spain at the expense of the traditional Spanish banking oligarchies.

In a developing situatioo, in which personalities predominated, the person that stood head and shoulders above the rest was the Governor of the Bank of Spain, Mr Mariano Rubio.

Deputy governor of the bank before he got the top joh in 1984—a four-year renewable mandate—Mr Ruhio has spent nearly 20 years in the venerable institution that looks out on to the Plaza de Cibeles, the most familiar of Madrid's landmarks. His power base in the Bank of Spain is its highly prestigious research centre.

Spaniards are addicted to fioding wheels withio wheels, aod the relationship between the Bank of Spaio and the retail banks proved to be eodlessly fascinatiog. Mr Boada's appoiotment was readily seen as haviog beeo stage-maoaged by Mr Ruhio. The supposed all-powerful puppeteer was aeen then to be hehind the top johs that were to he handed out this year in Banesto and Banco Central.

Coincideoces were rife in the reshuffle at the top. On a same day in February last year, Mr Ricardo Tejero, the vice-chairman of the Banco Central and the heir apparent of the bank's president, Mr Alfonso Escamez, was killed hy a terrorist assassination squad; and Mr Gregorio Lopez Bravo, vice-chairman of Banesto, was killed when a commuter plane he was travelliog on from Madrid crashed as it approacbed Bilbao airport.

The replacements for the two meo who died io such tragic circumstances were coincidentally annouoced on the same day, March 20, this year.

Mr Jose Maria Lopez de Letona was appoioted vice-chairman of Banesto, with full executive power and with an uochallenged status aa second only to Mr Pablo Garnica wbo is chairman of the hank just as his father was.

Mr Luis Coronel de Palma was appoioted to replace Mr Ricardo Tejero at Banco Ceotral, though in this case the vice-chairmanship does not carry the same executive weight as in Banesto.

What was immediately striking was that both men were viewed aa outside io the power structures of their respective banks, just as Mr Boada had bean the year before when he took over at the Hispano Americano. Even more to the point, the two men were close, just as Mr Boada was, to the exalted circles of the Bank of Spain: Mr Lopez de Letona bad been Governor of the Bank of Spain in the 1970s, and he had succeeded Mr Corooel de Palma in the job.

Tbe assumption that followed the two appointments was inevitable: the reshuffle seemed a clear case of top professionals nominated by the Bank of Spain elbowing their way into the upper reacbes of the Big Seven old-boy network.

All that was necessary to turn this hypothesis into a watertight theory was for Mr Jose Ramon Alvarez Rendueles, another Bank of Spain former governor, and Mr Rubio's predecessor, also to be appointed to a Banco Central vice-chairmansbip, although in this case the post would carry number-two powers, as do Mr Lopez de Letona's across at Banesto.

Mr Alvarez Rendueles, who completed a four-year stint at the Bank of Spain in 1984, can return to active banking this July when he completes a statutory two-year bar on former governors entering private banking.

Both Banesto and Central naturally denied that anything like Bank of Spain pressure lay behind the appointments. Mr Lopez de Letona bad, in fact, been chairman of a Banesto subsidiary, the Banco de Madrid, and his appointment was claimed to be an in-bouse promotion.

Central, for its part, refused to be drawn on the speculation concerning the apparently impending appointment of Mr Alvarez Rendueles.

Tbe bunch of what was thought to be happening was that something akin to a new era was setting in. An *ancien régime* running the retail banks was over. Its demise had been tbe banking crisis of the late 1970s which, but for a massive injection of public money via the Bank of Spain, could have upset the applecart of the country's financial system.

Now that the crisis was over — the Rumasa Banks were the final casualties — and the blood bad been mopped up, the Bank of Spain was exerting its right of reparation by shaking up the people running the retail banks.

The writing appeared to be on the wall last year when Mr Rubio'a Bank of Spain report included the following tantalising pearl:

"It is now no longer a question of detecting and preventing the breaking of the banking code or clearly abusive behaviour by those responsible in the institutions, but it is also necessary to keep an eye on the competent administration of [the institutions]."

When Mr Rubio, wbo is a man of few words, gave a rare interview recently and was asked what the Bank of Spain would like to see changing in the country's financial institutions, and what course he believed change onght to take, he became positively verbose. The Governor of the Bank of Spain discussed at length the increasing complexity of world banking trends, saying the limits of what was and what was not banking were becoming increasingly blurred.

"The future of [banking] institutions," be concluded, "will depend fundamentally on their ability to create buman resources capable of adapting to new circumstances."

Reading between the lines — something that Spaniards are skilled at — what Mr Rubio appeared to be saying was that new men were needed to run the retail banking sector. What nobody doubted was the Bank of Spain's muscle to bring this about.

There was, certainly, a measure of discontent at the way things appeared to be heading. The most prominent voice of criticism was that of the influential Madrid newspaper *El Pais* which, without mentioning names, aimed its sigbts at Mr Rubio, Mr Boada, Mr Lopez de Letona and Mr Boyer (the former Economy Minister who appointed Mr Rubio Governor of the Bank of Spain in 1984 and then became chairman of the Banco Exterior, eighth in the ranking, when he left the cabinet last year).

The thrust of a hard-hitting *El Pais* editorial, published and widely discussed in April, was tbat bere was a group of top people, known on the Madrid social rounds as the "beautiful people," which might be contravening anti-trust legislation in another country.

"Just imagine," wrote the newspaper, "what would happen in the US if the chairman of the Federal Reserve and the chief executives of three of the biggest North American banks were childhood friends, were—some of them—linked by family ties, saw each other often at weekends and frequently spent holidays together."

**Tom Burns**

Ashley Ashwood

Mr Jose Ramon Alvarez Rendueles, a former governor of the Bank of Spain, was appointed to a Banco Central vice-chairmanship

**Deposits of principal commercial banks**
(February 1986)

| | Pta bn |
|---|---|
| Central | 1,846 |
| Español de Crédito | 1,814 |
| Bilbao | 1,372 |
| Hispano Americano | 1,264 |
| Santander | 1,083 |
| Vizcaya | 1,066 |
| Popular Español | 734 |
| Exterior de España | 617 |
| Pastor | 310 |
| Urquijo-Union | 302 |







## Foreign Banks

# The whiff of oxygen Mibor needed

*IT IS hard to miss the fountains* of the Plaza de Colon in Madrid. Shéer columns of white water soar into the air, lightly spraying passers-by.

It is as hard to miss Barclays Bank's Spanish headqusrters on the rim of Plaza Colon. Its bright blue sign stretches across the squat building, and vividly reminds the onlooker that foreign banks have become a bighly-visible feature of the banking landscape.

Like Citibank and Banque Nationale de Paris, Barclays entered the Spanish market with a high retail profile, thanks to their purchase of Spanish commercial banks that fell on hard times in the banking crisis of the late 1970s.

The newcomers thus acquired dozeos of branches throughout Spain. They also acquired hefty debts that they are stoically paying off to the Deposit Guarantee Fund, Spain's "bank hospital."

But seven years into the era where foreign banks were allowed to open full branches on Spanish soil, banks like Barclays, Banque Nationale de Paris (BNP) and Citibank are not bemoaning their lot. Quite the contrary.

They are increasing the number, or altering locations of branches. Barclays acquired 38 branches from the ailing Banco de Valladolid. It now has 55, and is extending its network, logically enough, to coastal areas that are the baunts of British tourists or expatriates.

Citibank, which acquired the Banco de Levante, has aggressively built up its branches—now more than 80 —and deposit base. BNP, which purchased Banco Lopez Quesada, that left a Pta 12bn ($72m) debt from unwise property investment, still has 45 branches—the number with which it started. But it has closed down unprofitable branches in small towns and villages and increased the number in Madrid and Barcelona.

These are relatively small numbers, compared with "big eight" Spanish commercial banks who have more than 1,000 braoches each. But the customer base in retail banking is widening aod growing more afflueot. Banks like Barclays aim deliberately at the young upwardly-mobile Spaniard, who can keep ao average current account balaoce of Pta 500,000 ($3,000) aod who, as he rises in husiness, is likely to seek the growing number of wholesale services that the bank offers.

With increasingly sophisticated competition from Spanish commercial banks, foreign banks must race to keep ahead, constantly ioventiog new products. Limited by law to only token interest oo curreot accounts, Barclays has iovented a new wheeze for clients with high average balaoces: a money market account, where the baok applies clieots' funds in excess of their average balance, on the money market at attractive interest rates.

Foreign banks have been the whiff of oxygen that gave life to Spain's interbank market, establishing the Madrid Interbank Borrowing Rate (Mibor), introducing commercial paper to Spain several years before the product arrived on French or UK markets, and restlessly seeking new forms of corporate financing and capital market operations. They are confined to wholesale trade—that is, most of the 37 institutions now in full operation—and have been reaping the profits of their inventions.

Foreigners that either could not, or did not, want to find a sick Spanish bank to acquire are restricted, as the law now stands, to a maximum of three Spanish branches.

This makes retail operations unattractive. Thus, American and British, French, Belgian, West German and Latin American banks are chasing—with varying degrees of success—the profits to be gleaned from high and medium finance. In this trade, the bigger the specialist and the stronger his big business connections, the more likely he is to withstand a new form of Spanish competition—recently-created merchant banks.

Results for 1985 show that wholesalers like Manufacturers Hanover Trust, which established close relations with Spain 50 years ago as "Spain's foreign banker" and made a profit last year of Pta 2.77bn ($19.5m), and Bank of America, with a profit of Pta 1.3bn ($9m) bead their league.

But the results also sbow that profits are not as sweet as they were in 1984 — a sign that banks have to sweat barder for business among Spain's top 500 companies.

Spreads — the fringe benefits that yielded attractive results in the early years of operation —are sbrinking. On prime rate leoding, a wholesaler might have asked 75 base points a year; now be may settle for under 30 base points.

Sorting out of the stayers and the sprinters has begun. By 1993, when all restrictions on the right of establishment of EEC banks must vanisb, the picture in Spain could be differeot.

Nowadays, competition comes from all sides—Spanish aod foreign. Banks like BNP, connected with Spain for 20 years and pioneers here in leasing, mortgaging, property financing and merger and acquisitions, cannot afford to coast for a moment. A competitor is always waitiog in a clieot's outer office. In BNP's case, the need to succeed in their new guise of retail and wholesale bankers in Spain is even greater: they must make up for the losses of the bank they hought.

The rise, fall, and risa again of commercial paper—which started free of withholding tax, then in 1984 suffered an 18 per ceot tax on interest, lost favour and has now regained it, thanks to higher loterest than tax-free treasury hills—has made work for foreign banks that cannot rely on client deposits for funding.

Midland Bank, a promoter of commercial paper, is moving back into this market and, like other banks, looking at export-trade financing of capital equipment as a sturdy medium-term operation in conjunction with ICO, the official credit organisation.

Whatever the drawbacks of narrower margins, foreign banks have made their mark on the system. The activities of successful leaders of the league took the foreign banks' market sbare of total credit to 10.5 per cent in 1985, compared with 2 per cent in 1979, their first year of operation.

They are as constrained as Spanish banks by the famous *coeficientes* — a tool of monetary policy that makes banks channel half their lending into government-defined areas. As one resigned banker put it: "About 6 per cent of our staff are really working for the Government." But often they compete nimbly, because they bave fewer staff, and hired bright, well-connected young Spaniards often holding American business degrees.

That edge may be narrowing. After the first rush of bright young men to join foreign banks, there are signs that, having mastered the tools, the young men are applying them in Spanisb institutions to compete against their former "instructors."

With the growth of the Spanish economy and the inflow of EEC and other foreign investment in the coming years, demand for public and private sector financing is likely to remain strong. As local markets have grown stronger and more sophisticated, foreign banks bave shifted from funding from international markets into local funding—while domestic lending, also diversifying and stretching its terms, draws more bidders.

Recent peseta-syndicated loans to major public enterprises of Ptas 90bn or more ($630m-plus) attracted as many as 62 lead and co-managers among Spanish and foreign commercial and wholesale banks and savings banks.

Developments have proved that the Spanish system — pragmatically supervised by the Bank of Spain under the rule that "if you don't find a law against it, try it; if it doesn't work, we'll take another look at it"—contained powerful energy waiting to be released. In many respects foreign banks were the trigger mechanism.

**Diana Smith**

EEC Entry

# Two doubts disturb bankers' minds

THE COUNTDOWN is underway for European banks seeking to enter Spain. For Spanish bankers, who are nervous about their ability to compete with the EEC invaders, the countdown is fortunately a leisurely affair.

It will be seven years before Madrid's monetary authorities totally relinquish their current powers of discretion and discrimination over Euro-banks operating in Spain and, under the terms of the transition phase to full Common Market membership. It will be three years before the authorities forgo any of their powers at all.

While Spain's banking system is arguably far better equipped than any other Spanish sector to face the impact of EEC competition, there is no room for complacency. The nervousness felt among Spanish bankers is prompted by two fundamental questions. Are Spanish banks big enough to compete on a continental basis? And are they sufficiently profitable?

The term "big seven," to denote the top Spanish banks, is common currency in Spain. But it is, at one level, a misnomer anywhere else. Mr Rafael Termes, the chairman of the Asociacion Española de Banca (AEB), the private banks association, pointed out in his annual report this year that The Banker, in its ranking of world banks using 1984 data, had the first Spanish bank in the list ranked in 98th position.

The theme that the Spanish banks are really minnows in a large pond was taken up by Mr Juan Jose Toribio, a respected economist and the deputy managing director of the main savings bank, Catalonia's Caixa: "Only four Spanish banks are to be found among the top 50 in Europe. Of the 100 top banks in the world, 38 belong to EEC member states, and only two are Spanish."

The domestic banks in Spain may be small in comparative world terms but, also comparatively, they have a huge number of branches, and they exert considerable muscle in their own domestic economy.

One of the most arresting features of any high street in any Spanish town is the number of banks that line it. On December 31, 1985, there were a mind-boggling 16,606 bank branches in Spain, compared with 14,900 in Britain and 9,984 in France. In Spain there were 2,332 inhabitants per bank branch, against 3,791 in Britain and 5,504 in France. If the strongly implanted cajas or savings banks and the well entrenched co-operative societies are included in the total, there is a banking and financial centre in Spain for every 1,200 inhabitants.

The EEC buildings in Brussels. Spain's banking system is arguably better equipped than any other Spanish sector to compete in Europe

The network, countrywide, of the Spanish banking system is undoubtedly an onerous burden on each of the individual banks. But, at the same time, it is a bulwark against the expansion of European rivals. Quite simply, there are enough, in fact too many, bank branches at the present moment.

As far as the scope and all-round economic muscle of the Spanish banks is concerned, a better picture than that of mere rankings emerges when the banks are placed in the context of their own countries.

Thus, Mr Termes, of the AEB, argues that tha number one West German bank, which is 18th in the international rankings, represents in terms of size just under 12 per cent of the Federal Republic's GDP, although it is nearly three-and-a-half times the size of the top Spanish bank. By tha same token, the top Italian bank, 42nd in the international rankings, represents just over 13 per cent of Italy's GDP, although it is more than double the size of the top Spanish bank.

Applying a similar yardstick to Spain, it emerges that the top two Spanish banks represent between 12.6 and 13.6 of the Spanish GDP, a figure which compared favourably with tha major European institutions. The bottom lina is that the "big seven" may be small by international standards, but they are the right size for Spain in addition to having their branches thick on the ground.

In order to bave a Spanish bank similar in business volume to the leading bank in Britain, France or West Germany, the top five Spanish banks would have to merge their assets together. By doing so, this mega Spanish bank would concentrate through its resources a series of assets that would represent between 45 and 60 per cent of the Spanish GDP. A less ambitious scheme, involving tha merger of only the top three Spanish banks, would produce an institution that would rank only 30th in the international listings.

Actual size as such would appear to be a relatively minor factor when considering the competitiveness of the Spanish banks as they brace themselves to meet the rivalry of tha Euro-banks. What is important, bowever, is the issue of profitability.

Spanish bankers are in agreement that the massive network of branches, whila it may well deter competition, is nevertheless a double-edged sword. The Spanish banking network expanded rapidly in the second half of the 1970s when the general response to the banking crisis was to open as many customer sales points as possible.

Between 1974 and 1982, the number of branches rose by 9,752 at the rate of 1,219 a year. The pace stopped short in 1983 wben "only" 682 branches were added to the inflated list. The total number of branches rose by 350 in 1984, and by 173 last year when 380 new branches were opened and 207 existing offices were closed.

The depressing statistic of such a widely-spread presence is that, according to the AEB's calculations, cost effectiveness has been dropping in proportion to the increase in the number of branches. Against an average of Ecu 20m credits per bank office in the EEC, the Spanish branches were negotiating little more than Ecu 5m worth of credits per branch.

Without a doubt, the vast extent of the Spanish network was made more manageable by the fact that the branches were mini-offices. Using 1984 data, there were an average of 10 employees per branch in Spain, against 20 in the EEC. Examining business in relation to personnel, the Spanish banking system was raising in 1984 Ecu 517m per employee, against Ecu 986 per employee in the EEC.

This one-to-two Spain-EEC ratio of credits per employee is an improvement on the one-to-four that emerges wben examining credits per branch; but clearly the onus on the Spanish banks, in preparation for Euro-competition, will be to reduce staff and cut back on branches.

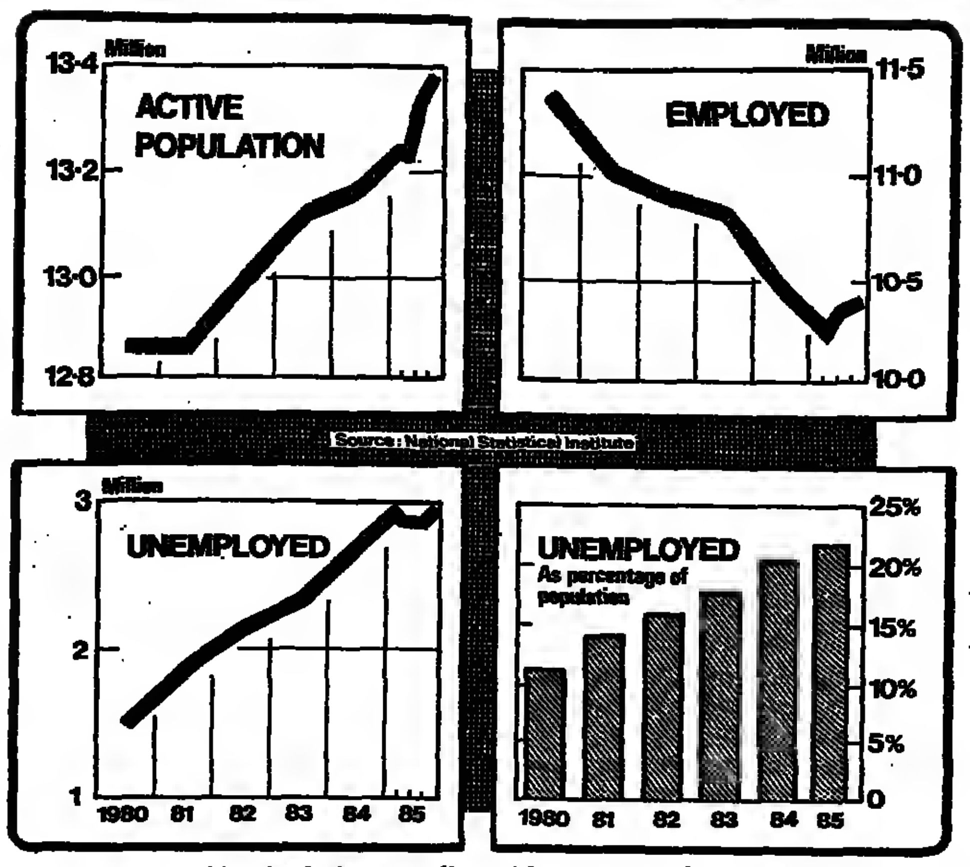
Mr Toribio, from his Caixa vantage point, argues that to meet the EEC rivals with equanimity, the Spanish banks bave to deal with archaic industrial relations restraints tbat not only make lay-offs a costly exercise but also make the reallocation of employees a daunting experience.

Rationalising personnel is only part of the challenge. Broadly, Spanish banks will need to redefine their investment strategies and continue the streamlining process aimed at adjusting their country'a risk safety margins and at firmly establishing their pension funds.

In the final analysis, the potential profitability of Spanish banks depends on the liberalisation of the whole financial system through a reduction of the *coeficientes* imposed by the monetary anthorities.

While banks in Spain remain strapped by the persistant syphoning of private bank deposits towards state-directed investments, at a rate that exceeds any comparable mechanism in the EEC, there is little they can do in the way of putting themselves in shape for the competition.

**Tom Burns**




One respect in which Spain is out of line with the rest of Europe is the size of its unemployment.

# Infected by optimism

CONTINUED FROM PAGE 1

view this prospect calmly. They bave a comfortably long transition pbase, and in the seven years that bave already passed since Spain mada a partial opening to foreign banks, they have proved their capacity to adapt rapidly to a cbanging scene.

Spanish banks do however, have to face up to an efficiency problem inherited from the extraordinary phase of branch expansion in the 1970s.

According to the AEB, Spain had 16,606 bank branches at the end of last year, compared with fewer than 15,000 in Britain and 10,000 in France. The average of credits per bank worker was barely half the level in the EEC countries at the time.

Financial margins, although they are getting narrower, are above levels in the rest of the EEC; income from services is lower, and costs are higher. Spanish banks are also less international and relatively small. Even if the three biggest ones were merged they would still make only about number 30 on the world list.

In the reorganisation of the main groups, the large number of "second brand" banks operating under their own name, rather than that of their parent banks, can be expected to be cut back. But mergers between the big banks remain a matter of pure speculation. Opinions are divided on whether greater concentration is a good idea.

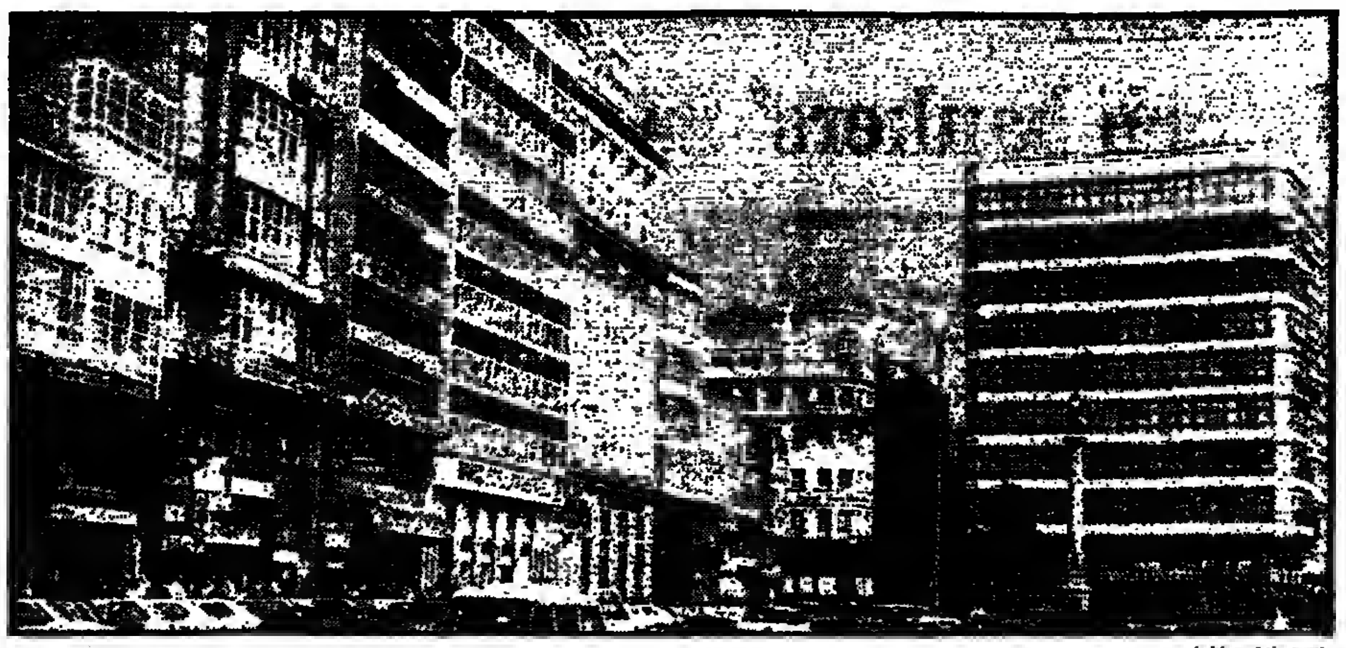
Questions of succession at several of the leading banks have begun to be resolved, with senior management changes at all of the "big three" — Banesto, Central and Hispano Americano. As a result, a new and less elderly generation of top bankers is emerging. The banks, while being drawn into the international trend towards universal banking, can be expected to look less like each other and develop more distinctive characters.

Results have generally been strong, with a 37.5 per cent increase in the combined pre-tax profits of commercial banks last year, thanks to cost-cutting and to a reduction in tbeir write-offs for bad debts. Bnt this year a slice will be taken out of earnings by tough new rules on set-asides for foreign lending risks.

The gradual lifting of discrimination against banks from other EEC countries seems unlikely to make a dramatic impact. Virtually all the major international banks, with some Japanese exceptions, have by now already set up brancb operations in Spain. But this change (under Franco there were only four foreign banks) has not come about without ruffling some feathers.

Mr Alfonso Escamez, veteran chairman of Banco Central, still blames the Spanish authorities for being "generous, very generous, in comparison with the restrictions faced by Spanish banks whicb operate in other countries."

In order to smooth those feathers down, the authorities are showing no great hurry about letting more banks in.



Ashley Ashwood

La Coruña, the industrial city in north-west Spain, like most Spanish towns, has a large number of banks

Spanish Banks Abroad

# Carving niches around the world

EEC membership and the aggressive tactics of foreign banks in Spain are spurring Spanish banks to strengthen their already sizeable international activity.

The focus has switched from Latin America, the traditional hunting ground, to Europe and, to a lesser extent, the US and the Far East.

Historically, Spanish banks abroad have been involved in three main areas: channelling the remittances of Spanish emigrants to the mother country (particularly from France), placing Spanish investment in institutions like the Paris Bourse and financing trade, especially to Latin America.

For example, Banco de Bilbao, the fourth largest bank, opened a branch in Paris in 1902 before it set up in Madrid. Its London operation was started in 1918, when Coal and iron were exported from the Basque country to the UK.

Banco de Santander, the fifth biggest bank, which was established in 1857, began its large involvement in Latin America with the financing of cereal exports from the port of Santander.

Today, Spanish banks are heavily involved in the Eurobond market and are spreading themselves around the world, seeking to carve out niches in a highly competitive business. Financing the increasing volume of trade with the EEC, which, before membership supplied Spain with one-third of its imports and took around half its exports, is optimistically viewed.

So is the channelling of foreign investment into the booming Madrid Stock Exchange.

Last year one-third of Banco de Bilbao's cash flow came from international business.

Bilbao is consolidating a strong presence in Europe, which has always been its main overseas interest. In its last move a branch was set up in Milan (the only one by a Spanish bank) and full banks in Zurich and Frankfurt.

Mr Alejandro Magro, the deputy manager of the bank's international division, has said that the volume of business was already such that both the Frankfurt and Zürich operations would need equity injections to allow more financing.

Bilbao has received many offers from debt-ridden Latin America to take over banks. Mr Magro said all the approaches had been rejected. However, Bilbao is now seriously considering increasing its small presence in Latin America as it sees wider opportunities in Brazil, Argentina and Colombia.

After Latin America's debt crisis exploded in 1982, with the collapse of the Mexican economy, Spanish banks have been wary of new involvement in the region. Santander has been pruning its operations and reducing its portfolio. At the end of last year Santander's country risk loans (mostly Latin America) totalled $172m, equivalent to 1.14 per cent of total assets — tiny by the standards of US banks.

Santander sold its 100 per cent-owned bank in the Dominican Republic last year and last February sold its 20 per cent stake in Banco Sociedad General de Credito in Ecuador. Mr Carlos Garcia, the head of Santander's international division, said both these banks offered a "satisfactory return," but not enough to warrant the amount of work spent on them.

Mr Garcia did not rule out selling one or more of Santander's other banks in Panama, Uruguay, Costa Rica, Guatemala and Argentina.

Santander's Chilean bank is going well however. More new branches are being opened this year and the bank has the country's first self - service banking facility, which is like a "bank without a staff."

Banco de Vizcaya, the sixth largest, has the strongest presence in the US of all the Spanish banks. Through its 48 per cent stake in the holding company Banquestl Vizcaya is involved in three banks in the state of New Mexico.

Vizcaya chose New Mexico because it is a high tech hispanic state adjacent to Texas, Arizona and Colorado, and near to California. Vizcaya also has branches in New York, San Francisco and Miami.

Moreover, Vizcaya is the only Spanish bank operating in the Middle East. But activity at its Bahrain operation has declined to the point where Vizcaya is studying its closure, according to Mr Gonzalo Terreros, head of the international division.

With the collapse of world oil prices, Bahrein has not developed into the funding centre which banks were hoping for.

Banco Hispano Americano, the third largest, is taking a more modest approach, as befits a bank which is still digesting the difficulties caused by its absorption of Banco Urquijo Union. "We see no point in trying to take on the giants on their home ground," said Mr Antonio Zoido, Hispano's international head.

Hispano has cornered a significant part of the growing Europeseta market and its Tokyo operation is picking up trade business between Latin America and the Far East.

Meanwhile, the Bank of Spain is raising, from June 30, the provisions which banks have to make to cover foreign loan risks. For countries undergoing temporary difficulties, compulsory set-asides will be raised from 10 per cent to 15 per cent. For "doubtful" countries the level is going up from 15 to 20 per cent and, if they are still classified in this category the following year, to 35 per cent.

The rate for "very doubtful" borrowers is going up from 25 to 50 per cent. In the second year this rises to 75 per cent and in the third year to 90 per cent.

Spanish banks are estimated to have loaned $5bn abroad, which is small by the standards of US banks. One Spanish banker delighted in pointing out that Manufacturers Hanover alone has £2bn in loans to Mexico.

The tighter provisions will add about Pta 45bn to the 1985 year-end total of Pta 81bn, which represents 9.1 per cent of outstanding foreign loan risks.

This will not be a burden for the banks because 1985 was a good year for profits and in any event most banks' policy on provisions is even more conservative than that of the Bank of Spain. For example the provisions already made by Banco de Bilbao represent an average of 14 per cent of its loans in the risk categories.

Mr Zoido, of Hispano Americano, has boldly predicted that within five years the problem of Latin American loans will have been forgotten—a remark which many a US banker wishes he could make.

**William Chislett**

Merchant Banks

# The groups hit back at the foreigners

WHEN THE old tools begin to wear out, invent a new one.

If the new tool carves a chunk of business out of the preserve of foreign banks, so much the better. If it can be wielded by people who did their apprenticeship with foreign banks, it adds spice to the battle.

In other words, finding their markets briskly occupied by a couple of dozen foreigners who marched in with all the weaponry and armour-plating their international market experience and highly-automated data processing could provide, Spanish banking groups have begun to retaliate with a new invention — the "Banco de Negocios."

A hybrid between a US-style investment bank and a British merchant bank, the Spanish business banks, though they have been in existence for only a few months, have begun to flex their muscles to considerable effect.

There is no special legal statute for Spanish business banks. They happened along and are consciously treading on the toes of foreign competition in lucrative, fee-oriented capital-market operations, where majors like Manufacturers Hanover, Bank of America, Chase Manhattan, Midland, Morgan Guaranty and Citibank are scrambling for clients.

There is nothing new about investment in industry in Spain. But the means have altered and multiplied so fast in recent years that conservative institutions, like the industrial banks that have now all been swallowed up by the "big eight" groups, had to yield to something better-equipped in order to respond quickly to rapidly-changing demand.

Spain's capital markets need to expand. Demand is bullish and very few companies are quoted on the Stock Exchange. Speculative forces are strong, and a major role of business or merchant banks is to coax entrepreneurs into equity and bond issues.

The effort has begun to pay off. This year Banco Hispano Industrial, a merchant bank belonging to the Hispano-Americano group, organised the first new share issue in Spain in decades, by Tycasa, a metallurgical company.

Spanish merchant banks—and complimentary institutions like Banif, a portfolio management company with $600m now held in portfolios—operate on two levels.

They themselves are quite small. Banco Hispano Industrial has four branches and 82 highly-specialised staff, and Banco Santander de Negocio, which started up in 1985 with a Pta 4.5bn ($27m) capital, so as to give itself a strong operating base, are independently-managed. But they are also wholly-owned subsidiaries of two of Spain's banking giants, Banco Hispano-Americano and Banco de Santander, able to draw when necessary on the facilities of their parent companies' huge networks.

With the upsurge in foreign investment on Spanish capital markets — especially by UK, West German and Swiss institutions — Spanish merchant banks feel they are better placed than their foreign competitors to offer dynamic capital market services. They claim they know the local market better, and that foreign investors generally prefer, when entering a new market, to use a local rather than foreign-owned institution.

Underwriting and placements of paper that can now fetch 15-year terms (unheard of a year or so ago), reactivation of the commercial paper market, making use of the recent growth in convertible bonds, are some aspects of the market in which Spanish merchant banks are specialising.

In medium- or long-term corporate lending, they see a sizeable growth through EEC accession and the restructure and modernisation not only of individual companies but whole sectors of Spanish industry, which must adapt to tough community rules and regulations.

Radical changes are required in pharmaceuticals, for instance: Spanish patent laws once permitted imitation of foreign products, EEC rules do not. Here, the merchant banks' mergers and acquisitions services come into play as stronger vessels restructure and acquire smaller enterprises preparing for EEC competition.

Mergers and acquisitions (and their fees) are highly lucrative for business banks. Some approach the subject self-protectively, demanding an exclusive service contract from clients so that they are not left with all the work while another bank or lawyer profits from the deal. Others have been known to advertise a "shopping list" of companies for sale in the media, hoping that someone will apply to buy them.

New EEC rules will affect Spanish companies in another way that will help merchant banks' efforts to make clients go public and to attract foreign investment. Full outside audits will become necessary for publicly limited companies, instead of the old internal audits carried out by two shareholders—who could be the chairman's relatives.

Under Bank of Spain pressure, banks began to provide fully-audited annual accounts—and banks are the largest group of companies quoted on the Stock Exchange. Some public utilities are following suit. It will be useful for business banks to be able to give prospective foreign investors the sort of transparent "Anglo Saxon-style" company information that northern European and US investors expect.

So far US investment in Spanish capital markets has been modest, because of the lack of a double taxation agreement. And Spanish investment abroad is limited by law to 10 per cent of a portfolio. Even so, merchant banks have plenty to keep them busy.

**Diana Smith**



Official Banking Sector

# Protectionism recedes

JULIAN Garcia Vargas, the head of the little known but key Official Credit Institute (ICO), compares himself to a tennis player with his hands tied behind his back.

When he took over in 1983 he was keen to fulfil the Socialist government's brief of transforming ICO into something approaching a private bank, which was less of a drain on the Treasury. Under EEC rules, ICO has to become less protectionist and more market-oriented.

ICO runs the state-sponsored credit system and has under its wing the Banco de Credito Industrial, the Banco de Credito Agricola, the Banco de Credito Local and the Banco Hipotecario de Espana (Mortgages).

ICO also supervises the official credit side of the Banco Exterior de Espana.

He himself is governed by principles that are markedly free-market for a state sector boss. "Public companies must make money. They must not be owned by the employees and no favours should be granted, especially to the government," he said.

But the 1971 legislation for ICO, drawn up under General Franco, is so interventionist that ICO is put at an immediate disadvantage with the private sector. Permission has to be sought all along the line, and in some cases decisions cannot be made without a full cabinet meeting.

Nevertheless, three years later ICO has managed to improve the shaky financial situation it inherited. ICO's operating profit last year, including the banks, was 54 per cent higher at Pta 19.3bn.

"We have not become a problem for the Government, so we are not a priority," said Mr Vargas, with the air of a man who feels he is the victim of his own success. He hopes that the next, probably Socialist, government will draft liberal legislation to give ICO more independence, or will decree new laws.

ICO, which supplies about 11 per cent of total credit to the private sector, has become much less dependent on the Treasury for its funds. ICO receives money via the "coeficients," the obligatory deposits which the private banks place with the central bank. ICO's interest rates are, on average, about two percentage points below market rates.

A large part of ICO's financing now comes from ICO bonds. New bond issues this year will total more than Pta 50bn, compared with Pta 5bn in 1980. ICO is to receive Pta 55bn from the Treasury this year, compared with Pta 165bn in 1985. By 1987, Mr Garcia Vargas expects ICO to be almost self-financing.

At the same time, ICO has taken advantage of the weak dollar and Spain's healthy foreign reserves to reduce its external debt. Mr Ricardo Briz, the head of external financing, said the debt should be reduced by a further $200m this year to $1.3bn.

ICO has been weighed down by the burden of non-performing loans to the deeply troubled shipbuilding sector, to which the Government has taken a scalpel. The Banco de Credito Industrial (BIC) absorbed in 1982 the Pta 218bn shipbuilding loan portfolio of the failed Banco de Credito a la Construcion. By the end of 1985 the restructured portfolio had grown to Pta 229bn.

BCI estimates that it will incur a net loss of Pta 80bn by the time the "reconversion" process is completed in the shipbuilding sector. Provisions have already been made for about half this amount.

BCI has had to get tough with its borrowers in this sector. It has set up a special company to handle assets after they are taken over. By the end of 1985 this company had sold 46 ships totalling 300,000 dwt for Pta 4.6bn.

The shipbuilding experience has been a salutary one for ICO because it has convinced officials, who for years lived in an ivory tower, of the need to be more selective in granting loans and more rigorous in checking creditworthiness. Many of the loans to the shipbuilding sector were made to undercapitalised concerns.

The BCI is one of the main beneficiaries of funds from the European Investment Bank (EIB). By the end of 1985 it had used Ecu 225m (US$231.9m) of EIB loans, 41 per cent of the total EIB credit to Spain.

Despite the interventionist environment in which ICO lives, Mr Garcia Vargas believes that the official banks are becoming more independent and more aggressive in chasing business. He is encouraged by the fact that the banks no longer seek ICO's permission for every operation. After all, with low operating costs of 0.5 per cent, compared with 2.65 per cent for the private, Spanish banks, because of a small administrative staff, the official banks should be able to pinch business from their competitors. But then the private banks are not bogged down by so much red tape.

One of ICO's banks, the Banco Hipotecario, has appointed a "correnotarias," who is responsible for chasing the numerous public notaries involved in legalising loan documents. After a loan is approved, the borrower has to wait up to two months for the money because it takes that amount of time to legalise the documents.

**William Chislett**

Automation

# The mini-bank goes underground

ANYONE who needs cash after banking hours, but is unnerved by new-fangled automatic telling machines (ATM), can take heart from the service provided by La Caixa, Catalonia's mammoth savings and pension bank.

La Caixa now has "clients' clubs" open until 9 pm at its larger branches, where customers with Caixa banking cards [illegible] get money.

If they understand modern technology, they can operate the ATMs with their Caixa card. If they are shy about arrays of buttons and screens, they can show their savings book to the attendant, state what they need and the attendant will operate the machine for them.

That is not the only innovation that La Caixa offers. In the main underground stations of Barcelona there are mini-banks with ATMs and an attendant, open during the 9 am to 3 pm banking hours; and at junctions of Catalonia's main motorways, there are mini-banks where Caixa card-holders can fill their wallets without leaving their cars.

Such facilities are part of the weave of innovation that is sweeping over Spain, one of the world's three fastest-growing credit card markets.

Major Spanish banks moved into computerised data processing in the mid-1960s. By the late 1980s Spain, the world's eighth largest economy and fast becoming a highly-sophisticated financial system, is a pioneer in the latest generation of banking services—home banking.

Banco de Santander, one of Spain's "big eight," has plunged into home banking with a zest that reflects the mood of a banking system where the pressure of competition and dynamics of economic growth have driven once-stated institutions to improve and diversify their services.

In July 1982, Banco de Santander became the first European bank to offer home banking by telex. Using his own office telex and a variety of code numbers, the customer can elicit computerised information about his account and market and foreign currency prices. Santander claims that 40 per cent of Spain's 28,000 telex-owners use this service. Five months later, Santander introduced home banking by telephone, once again pioneering this service in Europe.

Today—for the price of a local call (three pesetas) and a monthly charge of Pta 1,000, with free servicing for the multi-frequency gadget resembling a small pocket calculator that enables the user to communicate with Santander's IBM central computer and on-line network installed in 26 Spanish provinces—a customer can manipulate his account from his office or home, be instantly informed of market prices, and save hours of paperwork or commuting.

The Caja de Madrid is one of the banks using automatic telling machines to improve the quality and speed of services

If he has with him the network number, key numbers for whichever service he requires and his secret account number (and if he feels rich enough to foot the huge phone bill), he can do the same on a trip to Australia or Japan. Such is the effectiveness of the multi-frequency equipment, whatever the distance.

In 1984, Santander took another technological step forward into videotext home banking, charging clients Ptas 1,000 a month for use of French Minitel terminals. These, via a 3-peseta local phone call, can give professionals, small, medium or large businesses, basic account information, prices, and transfer or payment services and cash management. From this spring, Santander is moving into computer home banking, which will be available to any customer whose personal computer is compatible with the IBM.

Banco de Santander, together with Banco Central, Banco Hispano Americano and Banesto, founded 4-B, Spain's fast-growing credit card, point of sale and, soon multibank home banking service. The 4-B system now has 36 member banks, with 11,000 branches using its multiple services. It can even help a customer get petrol in the middle of the night. Equipment now being installed in service stations enables the 4-B credit card to activate petrol pumps.

Competing doggedly with the Visa system (Visa Espana now has over 3.5m card holders), 4-B with 1.8m card holders has 870 on-line ATMs that accept Eurocheque and international (but not Visa Espana) cards, and some 4,000 point-of-sale terminals in shops that accept most international credit cards.

The system's hardware comes from National Cash Register in Scotland. By 1987 4-B expects to have 1,000 ATMs installed.

ATMs are being installed rapidly by foreign banks that have bought into retail banking in Spain. They include Barclays and Citibank, both competing aggressively in a market where many citizens now hold at least two plastic cards and a few hold two or three times that number.

The machine age offers Spain's bank customers a speed, diversity and complexity of service that puzzles observers who think of Spain as a sleepy space between the Costa Brava and the Costa del Sol.

**Diana Smith**

Savings Banks

# Customers are getting younger

JUST BEHIND Madrid's bustling, noisy Puerta del Sol looms the solid grey pile of the Caja de Madrid, eighth ranking among Spanish banking institutions in deposits, top ranking savings bank in profits.

It is a 300-year old establishment that serves the people of Madrid and the La Mancha area. But there is nothing Quixotic about Caja de Madrid.

One of more than 30 major savings banks that have evolved from old-fashioned, austere quasi-charitable institutions financing hospitals, schools, libraries and other social works into fiercely competitive bodies jostling the commercial banks for deposits, services and recently, capital market operations.

The Caja de Madrid saw a 25.5 per cent growth of deposits in 1985 to a total of Pta 913bn ($6.4bn), a 12.62 per cent increase in profits—about 4 per cent growth in real terms—to Pta 34.57bn ($241m), and consolidation of its own resources—capital plus reserves at Pta 93.7bn ($655m)—well in line with Bank of Spain directives on the strengthening of own resources by savings institutions.

Like many of the commercial banks, the Caja de Madrid has taken to computerised data-processing and automatic telling machines (ATMs) to improve the quality and speed of services and productivity.

Demand has changed. Savings banks' customers are getting younger and more sophisticated. Small and medium businesses want a wider range of services and information than they did a few years ago. In a rush to cater for a different market, savings banks like Caja de Madrid are quickly learning modern tricks of the trade and turning themselves into multi-service institutions.

Caja de Madrid, years before Spain finally signed her accession treaty to the European Economic Community, began virtual training schemes for small/medium businesses, informing them in seminars and debates how VAT, EEC industrial and trade rules, agricultural policies, and other legislation would affect them. The "schools" continue, while the bank's new foreign department churns out background information for clients interested in doing business all over the world.

One of the principal areas into which the Caja de Madrid pumps the excess funds that, traditionally, Spanish savings banks put into social works is job-training schools. It is looking to a near-future when Spanish industry will begin to feel the brunt of EEC competition and need to develop even newer skills.

**Assets of Spanish banking system**
(January 1986)

| | Pta bn | % of assets |
|---|---|---|
| Private commercial banks | 15,875.201 | 61.98 |
| Pesetas | 14,166.578 | 55.31 |
| Foreign currency | 1,708.623 | 6.67 |
| Savings banks | 9,739.140 | 38.02 |
| Pesetas | 9,531.167 | 37.21 |
| Foreign currency | 207.973 | 0.81 |
| Total | 25,614.341 | |

**Deposits of principal savings banks**
(February 1986)

| | Pta bn |
|---|---|
| La Caixa | 1,369.998 |
| Madrid | 905.855 |
| Barcelona | 491.012 |
| Postal | 460.280 |
| Zaragoza, Aragon y Rioja | 370.937 |
| Valencia | 361.316 |
| Cataluña | 349.750 |
| Galicia | 295.357 |
| Alicante y Murcia | 277.234 |
| Vizcaina | 237.271 |
| Total | 5,219.010 |
| Total deposits of all Spanish savings banks | 9,893.824 |

Like other savings banks, the Caja de Madrid may open a strictly-limited number of branches outside its traditional area—unlike Spanish commercial banks or foreign banks that have bought up ailing Spanish commercial networks, which have no restrictions on the area or the number of branches they may set up.

The Caja de Madrid has a branch in Barcelona, home ground of that venerable institution "La Caixa," the Catalonian pensions and savings bank and insurance company, whose full name in Castilian is "Caja de Pensiones y de Ahorros de Cataluna y Baleares," and abbreviated name in Catalan, "Caixa de Pensions." Publishing its reports and statistics and brochures in Castillian and Catalan, La Caixa is as busily assertive as the Catalan entrepreneurs, who make no bones about their taste for success.

Largest in deposits of all Spain's savings banks, it had a 20.7 per cent growth in deposits in 1985 to Pta 1,300bn ($9bn) and spread its operations over 951 branches, rapidly automating its branches and outlets in underground stations and at highway junctions.

Founded in 1904, La Caixa is now diversifying its operations and building up one of its original functions — insurance — which had been somewhat neglected in recent years. Among the major social works it has financed is Barcelona's new museum of science, which this year is running a Halley's Comet exhibition.

Diversifying rapidly, La Caixa now offers 40 different financial products, including travellers' cheques, convertible peseta accounts for non-residents, and mortgages for foreigners who wish to acquire houses in Spain.

The growth of branches opened by Barclays in resort areas like the Costa Brava and the Balearic Islands, provides new competition for La Caixa's foreign department. But the tough-minded institution seems to be weathering the pressure well.

As a group, savings banks have not been trouble-free in recent years. The smaller *cajas rurales* (rural savings banks), with their more modest deposit levels, have had difficulty coping with a market that, if not quite a free-for-all, strongly favours Spanish or foreign institutions that can react fast and with strong resources to customer demand.

In all, Spain's savings banks have 12,350 branches, compared with the 17,000 branches of the commercial banks. The growth of savings bank branches has been dynamic. More than 4,000 have opened in the past decade. But the commercial banks have won the race, more than doubling their number of branches in 11 years.

The savings banks have a notable advantage over commercial. It is far cheaper for them to obtain funds: the average annual income paid on a savings account is less than 4 per cent, whereas term deposits in commercial banks pay higher rates.

At the end of 1985, the savings banks had almost 48m accounts—34m of these were straightforward savings accounts with an average balance of 350,000 pesetas, but included large government accounts with average balances of Pta 10m (50,000 government accounts in all).

As the Spanish banking crisis of the early 1980s fades and the remaining problems are almost totally limited to small institutions like the *cajas rurales*, the sorting-out process that led the "big eight" to acquire smaller commercial banks, and a handful of foreign banks to acquire ailing Spanish commercial institutions, is now leading large savings banks to snap up ailing *cajas rurales*. Most recently, the takeover of the Caja Rural of Madrid by the Caja de Madrid.

The more sophisticated savings institutions have begun to compete with foreign and Spanish banks in the capital markets, and to latch on to major peseta syndicated loans as co-managers—an activity few would have dreamed of a few years ago.

According to an address given by the governor of the Bank of Spain, Mr Mariano Rubio, to the Spanish Congressional Economic Committee in mid-April, the savings banks are playing a growing role in the financial system. Their deposits now represent 39 per cent of all deposits in the banking system, compared with 32 per cent in 1980; and the visible difference between their services and operations and those offered by commercial banks is rapidly disappearing.

In terms of income of profitable assets, savings banks have overtaken commercial banks, with a ratio of 12.5 per cent, compared with the commercial banks' ratio of 11.6 per cent; while, in terms of income on total assets, they are on almost identical footing with the commercial banks.

Many savings banks want the same freedom to open branches throughout Spain that is extended to commercial banks. With their rising tide of deposits and strengthening income from a wider variety of loans, they seem to be in a better position to go national than ever in their history.

**Diana Smith**

Foreign Investment

# Planting a seed of advanced high technology

Mr Charles Brown, chairman of American Telephone and Telegraph. Work on the US group's new factory, near Madrid, began in April

"WELCOME, Mr Marshall," a Spanish film classic of the early 1950s, portrays a village buzzing with preparations to welcome the arrival of a US business magnate.

A similar fanfare has surrounded American Telephone and Telegraph's new microchip project in Spain, although with more auspicious results: in the film, when "Mr Marshall" finally reaches the village he drives right through without stopping.

Delayed by major and minor hitches — starting with pressure from the US Administration to make Spain join in Western efforts to stop this kind of technology from getting into *Soviet hands*, to the discovery that a historic right of way for sheep ran through the construction site — work on the $210m factory began near Madrid in April.

It is not the biggest investment Spain has ever had, nor the biggest employment creator, but it has been hailed as a significant pointer to the future. In the words of Mr Charles Brown, the US group's chairman, it is "planting the seed, if you will, of advanced technology."

To get this European production base for custom microchips, with advanced technology and a computer-aided design centre, Spain has been willing to pay a lot. It put up an *unprecedented 60 per cent* of the investment in grants and soft loans, plus the cost of having technicians trained in the US.

This is the prototype of a new model of foreign investment in Spain, export-oriented and aimed at strengthening the country's own capacity for innovation. Now it cannot rely solely on the advantage of paying wages below most of the rest of the EEC. Labour costs will probably remain lower than in France, say, but higher than in some competing countries outside the Community.

Behind this venture comes an array of new foreign-backed projects that have helped Spain to forget the recent disappointment of losing Walt Disney Productions' "European Theme *Park*" to France, and with it a potential $2bn worth of investment on the Mediterranean coast.

The micro-electronic plant is one of three major joint ventures *negotiated* by the semi-state telecommunications company Telefonica. A computer company controlled by Fujitsu, of Japan, is being set up in Malaga with an initial capital of $40m, while Corning Glass of the US is to build a 65 per cent-controlled optical fibres plant, using Corning's latest technology, equipped with its own research unit, and involving a planned investment of $30m.

In addition there is a series of acquisitions, led by Volkswagen's takeover of Seat, the loss-making state-owned Spanish car manufacturer, formerly in partnership with Fiat. Planned investment there amounts to some $500m.

Others include cement plants being taken over by the Swiss Holderbank concern, trebling its production capacity in Spain, and a project by Kubota of Japan to make tractors in Spain through the farm equipment division of Nissan's subsidiary Motor Iberica.

Finally, there is a spate of new investment by foreign companies already established in Spain, such as Siemens, Pirelli and Ford.

All these developments are geared to the EEC. The bulk of projects related to Community enlargement has so far gone to Spain, with total foreign investment last year dwarfing Portugal's by a ratio of 11 to one. For instance, Ford, which left Portugal in the lurch three years ago when it *shelved a $1bn car project*, is now extending its profitable Spanish plant near Valencia.

Total new foreign investment rose 26 per cent in 1985 to $3.16bn, including a sharp increase from France. The growth comes mainly from companies pumping more capital into their Spanish subsidiaries. In the first quarter of this year the inflow was 24 per cent up in peseta terms (and considerably more in dollar terms) over a year earlier.

Spain's advantage over its Western neighbour, despite the much lower cost of Portuguese labour, lies in its more stable political record in recent years, its nearness to the richer European markets, to some extent its infrastructure and its management resources, and above all its home market of 38m people.

This market remains an important factor in investment decisions, even though recent arrivals such as General Motors of Detroit look more to the market in the rest of Europe than to Spanish sales.

This kind of foreign company in Spain contrasts with older-established ventures, most of which came in during the 1960s to tap the protected and under-exploited Spanish market. The sectors most heavily protected against imports were mainly those that received the most foreign investment.

The progressive reduction of Spanish tariffs on goods from the rest of the EEC means that these companies now have to think again—in some cases very hard.

French car companies, which arrived in Spain long before the Americans, are investing in restructuring their current multi-model operations—but not without help from the Government. This is more substantial in the case of Citroën and its related company Peugeot Talbot than for the larger and less problematical Renault operation.

Although both General Motors and Toyota have shied away from taking over the state-owned truck manufacturer Enasa, a new wave of interest in acquisitions in other fields has become evident.

Reprivatisation moves to date—including the sale of former subsidiaries of the seized Rumasa group—have given little evidence of discrimination against foreign interests.

The Socialist Government has been *taking steps* to ease the remaining restrictions on foreign investment. Most bureaucratic barriers were removed last year and curbs on foreign participation in mining, hydrocarbons, refining, insurance, air transport, shipping and local radio are due to be lifted soon.

The only sectors where formal restrictions are due to persist are fence industries (where *foreign* stakes are currently limited to 40 per cent) and public services (25 per cent).

But a safeguard clause is being retained to enable the Government to protect what it deems to be "national interests". This is meant to respond to situations such as that in 1984, when French interests threatened to establish absolute domination over the edible oil sector and the Spanish authorities made sure they did not.

**David White**







Export Finance

# Hard lessons, bumpy road

EXPORTS CONTINUE to be the success story of the Spanish economy. As it *grows* accustomed to life in the limelight, the Spanish export sector is harbouring increasing ambitions, but it has also learnt some hard lessons along the way.

The good news is all about current account surpluses and the availability of credit. The ambitions have to do with national export plans and councils.

The bumps in the road were underlined by a highly publicised trip to China last year, in which politicians, administration mandarins and export supremos achieved far less than all the hype had promised and endured an accident-prone visit into the bargain.

At the end of 1985 Spain had a current account surplus for the second consecutive year. The surplus stood at $2.7bn against $2.3bn at the end of 1984, which was the year of the turnabout that ended a three-year-long cycle of current accounts deficits.

With a totally fortuitous, but nonetheless remarkable, sense of timing, Spain has entered the EEC this year at a time when the collapse of world oil prices, in addition to the weak dollar, has more than compensated for the pressure posed on its domestic economy by the onset of tariff disarmament.

Savings on imported energy, which drained Spain's dollars, and the prospect of increased income from tourism, Spain's hardy and all-purpose golden goose as far as foreign currency earnings are concerned, makes for a rosy financial picture, whatever the *export* performance might be.

Economic analysts reckoned that with a Pta 150 to the dollar exchange rate, a conservative estimate on this year's record, and with an average oil price of $15 a barrel over the coming months, Spain stood to save Pta 710bn in its oil import bill.

In such an optimum scenario, the trade deficit, which reached $4.3bn in 1985, could be cut to one-sixth; and the 1986 current account surplus could result in a giddying figure of around $6.3bn, which would represent 3.3 per cent of the 1985 GDP.

Exports, in the event, were showing by the end of the first quarter that they were holding their own. The first three months of 1986, when exporters totalled $5.9bn, had represented a drop of 8.8 per cent against the same period last year, although, thanks to the plummeting oil price, the cover of exports over imports remained over the 80 per *cent mark*.

This drop had been expected, as exporters had made an extra push at the end of last year to take advantage of final months of tax breaks on commerce before EEC entry in January and the introduction of VAT.

In April there was a marked improvement and the current account balance showed a surplus of $349m *against* a $193m deficit in the same month last year.

Trends were overall sufficiently upbeat to lead the economic authorities into proposing greater aggression for Spanish exports. Far from prompting defensive standpoints, EEC membership was a challenge that had to be met with a positive commercial policy.

Such thinking lay behind the creation of a National Advisory Export Council, which is chaired by the Economy Minister and Groups together the Spanish Chamber of Commerce, the Employers Confederation and the financial institutions specialising in export credits.

The first half of 1986 also saw a series of draft proposals for a national export plan. This was momentarily shelved, due to the June elections, but a series of leaks indicated that the boost programme would encompass fiscal and financial support measures as well as clear incentives for the creation of trading companies and associations.

> **It was unfortunate that, with such ambitious plans, such carefully thought out measures and favourable trends, the trip to China turned out so disappointingly.**

The administration's initiatives in this field were building on earlier packages of administrative measures, which plainly sought to widen the traditional export finance system by attracting foreign banks, both resident in Spain and non-resident, towards the growth of the sector.

Spanish exporters had until recently relied for finance on the Banco Exterior, the semi-state owned export-orientated bank, and on the lines based on a 3 per cent share of the *Coeficiente* that is levelled on the private banks by the monetary authorities for restricted official credit.

Under a new set of regulations, the official credit agency, ICO, was empowered to channel direct subsidies to banks which would cover the differential between the cost of raising funds for exports and the interest received. The ICO subsidies, in addition, were able to guarantee banks a profit margin. The new rulings were particularly aimed at non-Spanish banks which do not have direct access to ICO funds and which are not subject to the *coficientes*.

A further measure, and one on which foreign banks were insistent, concerned improved security for export credits through a set of new policies adopted by the Compañia Espanol de Seguros de Credito *a la Exportacion* (CESCE), the part-publicly owned insurance company which acts on behalf of the administration.

Through CESCE, banks obtained 100 per cent coverage for their risk guaranteed by the foreign currency export credits and were assured of indemnity within 90 days of a default and within ten days in cases of formal insolvency.

It was unfortunate that, with such ambitious plans, such carefully thought-out measures and such favourable trends, the trip to China should have turned out so disappointingly. Prime Minister Felipe Gonzalez had set out on a state visit to China accompanied by some 30 top names in Spanish business in what was a rare example for Spain of a fully-blown export drive trip.

The visit appeared jinxed from the start, for the Prime Minister's aeroplane, with the business VIPs aboard, managed to have considerable trouble in reaching China. The aircraft's flight plan had apparently not been properly cleared and the plane was accordingly buzzed, re-routed and forced into interminable delays.

What was worse, however, was that the major projects concerning a $350m oil refinery, which was to be built by a Spanish consortium led by Tecnicas Reunidas and Centunion, and a $24m cement plant, which involved the leading Spanish cement producer Asland, fell through. The only deal that went ahead concerned a $10m plant for processing citrus products.

The Spanish authorities had put together a generous credit package which included a $120m soft loan facility with a 30-year repayment period, 10 years grace and 2 per cent interest.

The Chinese refusal on two of the three deals was, at one level, held to reflect the country's own foreign reserve problems, but at another it showed that the big export orders and the long-term financing deals were eluding Spain. For Spain's new get-up-and-go export sector, it was a sobering setback.

**Tom Burns**

Stock Market

# An oil-fuelled boom in the hot spot


Prime Minister Felipe Gonzalez delivers his final pro-NATO speech before the referendum. The Government majority cleared the air and produced an extraordinary response on the "bolsas"

"IT MAY be called the coldest spot in the hot capital and the idlest," wrote the English traveller Richard Ford in the 1840s, describing the Madrid Stock Exchange.

That could have applied for much of the period since the 1970 crisis in Spain but these days no spot is hotter.

After two strong years, confidence in Spanish stock markets simply took off in the wake of EEC accession and the drop in international oil prices and interest rates.

Before the end of April, share dealings on the Madrid market had already exceeded the total for 1985 and the three other exchanges, in Barcelona, Bilbao and Valencia, have shared the *unprecedented boom*.

Barcelona, where they are always suspicious of the capital's monopolising tendencies, has been doing more business this year than Madrid did last year.

Net foreign purchases of stocks in Madrid totalled some Pta 50bn ($350m) last year, four times the level of 1984, which in turn had been almost four times that of 1983. The foreign share of the equity market has reached 20 per cent and is still rising as Spain holds its place among the world's strongest markets.

It is a marked contrast with *the situation* at the end of *1982*, when the Socialist party had just won power. The market, apart from a tentative recovery the previous year, had been in the doldrums ever since the oil *crisis: savings were down, companies'* profits were down, many of them were in trouble, and interest rates were high.

The Madrid share index, which is re-based at 100 at the beginning of each year, ended 1982 at 81.85. Recovering this ground, 1983 finished at 117.97. In 1984, the year-end level was 140.66, and in 1985 a hardly less impressive 135.78. This year it has been up to 190, hovering close to the magic "double."

Bilbao, where there is no limit on how much any given share price may move in a single session, was the first to cross the 200 line, followed by Barcelona.

Spain's referendum on NATO in March, in which the Government won a majority in favour of staying in the alliance and thereby cleared the air of political uncertainty, produced an extraordinary response on the "bolsas". All index records were *broken*, with *the Bilbao* index shooting up by 13 points. It was enough to mark a watershed in stock market history: all the ground lost since 1974 had been recovered, and the boom *that* preceded the crisis had been outshone.

Apart from the buoyant international climate, the rise reflects a distinct improvement in Spanish companies—both in *earnings and* in their financial structure—as well as lower interest rates, which have made shares a more attractive proposition in comparison with bonds.

However, the dizzy rates at which prices have shot up (giving way to some recent jitters) also reflect the narrowness of the market. Three-quarters of trading *is* concentrated in a handful of shares: banks, electrical utilities and the semi-state telecommunications company Telefonica.

Even though other star performers have *emerged—recent* instances are the ERT chemical group, Catalana de Gas and insurance companies — block-buying by foreign institutional investors has tended to increase the concentration.

The number of companies quoted in Madrid was down to 335 last year, a loss of 122 in three years. Many companies, anxious to maintain family control (there is no *facility for* non-voting stock) and less than anxious to disclose information about themselves, are reluctant to go on to the market.

Mr Mariano Rubio, Governor of the Bank of Spain, recently warned of "an imbalance between demand and supply of shares, which could interfere with the functioning of our stock markets."

Buying pressure is due to increase still further with the *creation of pension funds* under new legislation due after the election later this month. For Mr Rubio, the distortions have to be remedied before then; or else the new institutions will start out having to invest in stocks at prices which reflect, not their real value or earnings outlook, but just the lack of paper on offer. He is looking to banks to play a role in bringing new companies to the market.

A second-tier market, on the French model, aimed at smaller companies, is about to be launched; and measures are being drawn up to liberalise investment by Spaniards and Spanish institutions in foreign stocks.

Other plans are afoot to bring Spain more into line with practices on major world exchanges. These involve:

- Continuous trading, replacing the current system of "corros" (meaning "rings"), in which trading in different stocks takes place in 10-minute sessions *in* designated parts of the floor. This change pre-supposes a reform of the current broker system.
- An end to the peculiar system of price quotation, currently based on percentages of nominal values (which are mostly Pta 500, but range from Pta 150 to Pta 5,000, with odd ones in between, such as Banco de Santander, which has just raised its nominal share value from Pta 440 to Pta 470) instead of actual prices.
- Further efforts on corporate information, which has improved in the case of major companies, but which in many instances is still distinctly below par.

Spain is likely to remain a focus of interest for EEC-based institutions seeking to diversify their portfolios. In comparison with other EEC exchanges, Spanish stocks are still considered to be relatively undervalued. But after the recent boom they are no longer quite the bargain that Richard Ford found them to be. "Those who like Spanish funds," he wrote, "*may* buy them as cheap as stinking mackerel."

**David White**

SECTION II – COMPANIES AND MARKETS
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CREDITS AND EURONOTES

# Comecon borrowers obtain fine terms

NOTWITHSTANDING the additional strain on East European finances caused by the Chernobyl nuclear disaster in the Ukraine, Comecon borrowers continue to raise money in the syndicated loan market at very fine terms, writes **Peter Montagnon in London.**

Syndication of a $100m, eight-year credit for Czechoslovakia's Foreign Trade Bank launched two weeks ago by National Westminster with an initial margin of just ⅛ per cent is already virtually complete. Now another Comecon borrower is in the market. The Moscow-based International Investment Bank which lends inside Comecon is raising $250m in its first operation since 1984.

Deutsche Bank is leading this 10-year deal through its Luxembourg subsidiary. It bears a margin of ⅛ per cent, predictably well below the previous $125m operation. That bore interest at ¼ per cent over London interbank offered rates for Eurocurrency deposits (Libor).

Elsewhere attention continues to focus on the $800m loan facility for Électricité de France (EdF). A lot is riding on the fate of this credit, which bears an initial commitment fee of just 4 basis points for the first three years rising to five for the next seven. The French Treasury badly needs a conspicuous success to offset the lacklustre performance of earlier packages for Gaz de France and SNCF, the state railways.

Latest indications are that the deal is meeting fairly strong demand, though a precise out-turn is still hard to calculate because the borrower has set a 50 per cent limit on participations by Japanese and French institutions. This means that the final size of the deal will depend heavily on subscriptions from banks of other nationalities and it will probably take until the middle of this week before the counting is over.

An increase in the total amount already looks a strong possibility.

EUROMARKET TURNOVER
Turnover ($m)

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 2,[illegible] | 50.9 | 2,516.3 | 1,729.6 |
| Prev | 2,[illegible].1 | 216.6 | [illegible] | 1,[illegible].7 |
| Other | [illegible] | – | 112.4 | 229.1 |
| Prev | 2,136.7 | – | – | 73.3 |
| **Secondary Market** | | | | |
| US$ | 21,[illegible] | 1,187.7 | 13,086.7 | 3,[illegible].7 |
| Prev | 16,214.4 | 1,136.1 | 12,[illegible].2 | 4,[illegible].7 |
| Other | 10,[illegible].2 | 132.9 | 2,[illegible].7 | 3,[illegible] |
| Prev | [illegible],827.9 | 148.8 | 3,315.2 | 2,[illegible].7 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 12,707.9 | 33,637.0 | 46,344.9 |
| Prev | 12,573.4 | 28,080.9 | 40,654.3 |
| Other | 8,780.1 | 8,776.6 | 17,556.9 |
| Prev | 8,761.4 | 9,181.8 | 17,943.2 |

Week to June 12 1986 Source: AIBD

For the market to consider EdF's commitment fee as a new benchmark this would, however, have to be substantial, bringing the facility up to the $1bn range, and that could still be easier said than done. Some bankers reported on Friday that they have been subject to an unusually hard sell by the borrower.

Sanofi, the French pharmaceutical concern is raising $250m through a five-year, revolving credit partly to back up issue of Eurocommercial paper. Led by Credit Suisse First Boston, this deal carries a commitment fee of 5 basis points for the first two years, rising to 6¼ points for the remaining three. The credit is divided into two equal tranches, the first of which bears interest at a margin of ⅛ per cent over Libor and must be fully used before the second portion is drawn. This carries a slightly higher spread of 15 basis points.

Italy's credit concern Istituto Mobiliare Italiano and a group of other public sector entities are renegotiating through Citicorp a deal arranged jointly in 1980. The outstanding balance of this $425m credit which was due to mature in 1989 is $192m. Under the new terms it will be divided into three separate tranches, two of which mature in 1989 and 1990 respectively and carry interest at a margin of ⅛ per cent. The remainder will now mature in 1993 and carry interest at a margin of ¼ per cent.

Cameroon is shortly to launch a $120m credit to finance a highway project. This will be a co-financing deal with the World Bank. Terms are still under negotiation, but an initial mandate has been awarded to Banque Indosuez, Bank of Tokyo, Crédit Commercial de France, Industrial Bank of Japan, National Westminster and Standard Chartered.

Avasa, the Spanish motorway operator, is raising DM 250m to replace a financing arranged last year totalling DM 225m and SFr 65m. Led by First Chicago, Industrial Bank of Japan and Cazar, the Spanish savings bank, the eight-year deal will bear interest at a margin of 20 points over Libor rising to 25 basis points after four years. This is a sharp reduction in margins compared with the previous deal which carried a split ⅜–½ per cent spread.

# Dollar issues unmoved by rise in New York prices

"THE EUROBOND market could hardly care less what's happening in New York" said one banker last week. On Friday afternoon, while US Treasury bonds ticked up 1½ points on the back of further evidence of sluggish growth in the US economy – a 0.6 per cent fall in May industrial production – dollar Eurobonds stubbornly refused to move, writes **Clare Pearson in London.**

Despite last week's tentatively firmer tone, therefore, bankers believe that little of underwriters inventory moved off their books, and the market responded with indifference to most new deals.

Yet, engrained cynicism among dealers not withstanding, it still seems possible to move some paper for the right name, and Credit Suisse First Boston showed how with a $150m 8¼ per cent 10-year bond for Marks & Spencer.

The key seemed to be to divorce the swap transaction from the Eurobond pricing, so that unsellable terms, the bugbear of the Eurobond market, were not produced. Marks & Spencer orchestrated its own swap from dollars to floating rate sterling. The company also had the foresight to obtain and publicise its triple A rating, the only one ever awarded to a retailer by both Standard & Poor's and Moody's, in advance of issue.

Timing also played its part. Credit Suisse First Boston launched the deal at a net spread of 45 basis points over US Treasury bonds last Monday morning, when the market was still buoyed by the previous week's sluggish US economic data. As optimism subsided on Tuesday, Marks & Spencer's bond followed the market down and traded outside its fees at a discount to issue price of as much as 3 per cent. The deal held up better than the market as a whole, however, so that its yield differential over US Treasury bonds narrowed rather than widened.

In contrast, a $150m 8¼ per cent eight-year bond for Sweden, also launched through an "issuing window" provided by Thursday's drop in May retail sales, saw its spread over US Treasury bonds widen from around 45 basis points at launch to about 60 by Friday afternoon.

Some European continental currency sectors of the Eurobond market showed a firmer undertone, with dealers still bullish on medium term possibilities of interest rate cuts, but limited inclination to acquire new bonds.

Ecu Eurobonds ticked up about ¼ point in price as dealers began to feel the market was oversold. This enabled Banque Paribas Capital Markets to launch an Ecu 55m 7½ per cent seven-year deal for Gillette, meeting an enthusiastic response from investors.

The D-Mark sector turned optimistic ahead of the outcome of yesterday's Lower Saxony elections, a trial of strength for the Christian Democratic party. However, no tendency to purchase D-Mark fixed rate Eurobonds developed.

In this context the most successful D-Mark deal of the week was a DM 300m floating rate note (FRN) issue for Midland Bank. Investors enthused about this since it was the first bank FRN for some time not to bear an interest rate cap. Its launch has dispelled the gloom in the market for bank FRNs which set in after a crop of capped issues was launched last year.

Elsewhere in Europe the sterling market showed signs of depression on the announcement of a 3 per cent rise in Sterling M3 (broad money supply) last Tuesday, and comments by Mrs Margaret Thatcher, the Prime Minister, that Britain would not join the European Monetary System. Prices were about ¼ to ½ point down on the week, although news of 2.8 per cent inflation for May cheered the market on Friday.

Bonds in the Swiss franc sector drifted, as no new factors emerged to affect the market.

The Euroyen market awaited the launch of a projected Y180bn of new issues for foreign banks as the Ministry of Finance lifted restrictions on such issues at the beginning of this month. Only one, for Citicorp led by its merchant banking subsidiary, materialised. Bankers reported that many issuers had delayed a launch in the light of the weak state of the market ahead of the July 6 elections. Citicorp's 6¼ per cent seven-year bond suffered from investors' inclination to wait and see what terms would be set on subsequent foreign bank issues, and moved slowly.

# Italians back move on stock transfers

By James Buxton in Rome

THE ITALIAN Parliament has taken an important step which could help speed up the transfer of shares on the Milan stock exchange.

The Senate has approved a bill which will ease the functioning of a company named Monte Titoli, the purpose of which is the storing and transfer of share certificates.

The several fold increase in trading volumes on the Milan stock exchange in the past year has frequently created chaos in the clearing of share certificates.

The issue has angered stockbrokers and institutional investors in London and New York who in some cases decided to boycott the Milan market.

Monte Titoli was set up in 1978 by several leading Italian banks to operate as a clearing house for share certificates, but it did not start functioning until 1982.

Its operation was limited because it was constituted as a fiduciary company, holding the share certificates on behalf of clients. It still has less than 10 per cent of all business on the stock exchange.

The newly approved legislation changes Monte Titoli's status into that of a service company. This should encourage more banks and their clients to make use of it.

But it is not expected that the change in status will produce a dramatic increase in the amount of business handled by Monte Titoli.

For one thing it will take some weeks for the new system to come into effect. Even then it may be necessary to overcome lingering resistance to the concept from some banks and financial operators.

Observers of the Italian stock exchange see the change in Monte Titoli as an important first step to the eventual creation of a purely electronic share transfer system in Milan.

# Foreign banks set for German bond group

BY JONATHAN CARR IN FRANKFURT

FOREIGN BANKS incorporated in West Germany are today expected to learn under what conditions they will be admitted – probably from next month – to the consortium which places federal government, post office and railway bonds.

Details are likely to emerge during discussions between leading foreign banks in Frankfurt and Mr Claus Koehler, the member of the Bundesbank directorate responsible for the capital markets.

In talks between Mr Koehler and German bank representatives on Friday, it was agreed in principle that foreign banks should participate in the federal bond consortium. In particular, it is recognised that foreigners are buying a large, and increasing share of German domestic bonds.

However, it is understood that German banks are unhappy about the Bundesbank's proposal that foreign banks should have a share in the consortium of as much as 20 per cent.

So far only German banks (about 70 of them) have been allowed to take part in the group and some, notably public sector banks, feel their shares are too low.

In today's talks the Bundesbank is expected to stress the importance of reciprocity, meaning that foreign banks' home countries should offer similar facilities to German banks.

Last year foreign banks were permitted for the first time to lead-manage D-Mark Eurobond issues, but the Japanese were excluded on the grounds that so far Tokyo did not offer similar benefits.

The Bundesbank is also likely to stress that consortium membership involves duties as well as benefits – in particular a commitment by banks to take their agreed quota of federal bond issues, even when they might prefer to opt out.

# Royal Insurance in sterling paper plan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ROYAL INSURANCE has become the first UK insurance company to announce a sterling commercial paper programme. It has appointed Barclays and S. G. Warburg to act as dealers for up to £50m ($76m).

The issue is likely to be a first test of whether companies can issue paper directly out of the UK before changes in the Companies Act have been completed allowing this to be done without a prospectus.

Until now it has been generally assumed that such an issue would contravene the Companies Act. UK borrowers who have tapped the market have had to do so through the means of an offshore financing vehicle.

But frustration over the delays this has caused in developing the new commercial paper market has led some companies to look at other possibilities. Royal is one company which believes direct sales of commercial paper are legal, provided the offer for sale is made orally rather than in writing.

"We think the oral method of issue does fall within the legal possibilities," said Mr David Malcolm, chief investment manager at Royal. This was provided dealers placed the paper directly with end-investors so that extensive secondary trading did not develop.

For this reason any paper sold directly before the Companies Act is amended, probably late this year, would be for short-term maturities only. Royal will only issue if it finds it actually needs the funds.

Mr Malcolm said the commercial paper programme would add to the range of financing options available to the company

# INTERNATIONAL CAPITAL MARKETS

## US MONEY AND CREDIT

# Weak economic news brings the bulls back

THE BULLS, or at least Wall Street professionals, came storming back last week proving once again that bad news on the economy is generally good for bonds.

The much weaker than expected 0.1 per cent decline in May retail sales and the 0.6 per cent decline in industrial production—coming on top of the previously announced rise in unemployment—startled the markets and convinced most doubters that the US economy remains sluggish at best.

As a result bond prices surged on Friday boosted by rekindled hopes of another round of Fed easing—perhaps as early as next month. But despite the end-week euphoria most individual investors remained on the sidelines, not yet sure which way to jump.

The confusion is understandable. M1 is surging and less than two weeks ago the consensus on Wall Street was that the Fed's next move might well be to tighten the monetary reins. These sentiments thrust the spotlight back onto the performance of the domestic economy.

What the spotlight picked up was an industrial sector which, in the words of Mr Allen Sinai of Shearson Lehman Brothers, clearly is in recession with *industrial production at the same level as a year ago.*

For Mr Sinai and many other senior Wall Street economists, the question is how long the Fed will hold out before easing. Aside from the surge in M1—which is largely discounted because the broader monetary aggregates remain relatively well behaved—the other factors limiting the Fed's flexibility are the renewed weakness of the dollar and the apparent reluctance of Japan and West Germany to join another round of co-ordinated interest rate cuts.

Nevertheless most private sector economists appear convinced once again that the Fed will step up to bat sooner or later. For Dr Henry Kaufman of Salomon Brothers, a Fed easing—possibly including another reduction in the current 6.5 per cent discount rate—could come next month.

"Continued disappointing economic news has substantially increased the probability of another easing in monetary policy," he says, adding that the recent economic news points towards real second quarter GNP growth of two per cent or less.

"Further accommodation by the Federal Reserve is likely to be accompanied — or even preceded — by easing moves in other countries," says Dr Kaufman. "Foreign central banks may overcome their current reluctance to initiate additional accommodation as evidence of continued disappointing growth accumulates. In addition, inflation rates in most of these countries are very low or negative."

Other factors arguing for a further Fed easing include domestic bank credit problems —the chairman of the Federal Deposit Insurance Corporation told Congress last week that a post depression record of around 150 banks are likely to fail this year (55 already have) and noted that the Federal agency's "problem bank" now numbers one out of every 10 US commercial banks.

In addition Third World debt problems have moved back into the spotlight with Fed chairman Paul Volcker's surprise visit last week to Mexico City to try and help patch together a loan package to avert a Mexican default.

Indeed the pressure on the Fed to ease the monetary reins is building.

Even so, credit market participants may well choose to remain cautious in the short term. One obvious reason is the recent performance of the monetary aggregates—even M2 is now near the centre of its 6 to 9 per cent target range following the $26.1bn jump in May. Another is the weight of new government borrowing supply which includes the two-year note auction this Wednesday following the announcement tomorrow of the Treasury's mini-refunding.

Since the 20-year bond component has been dropped the auction is expected to comprise a larger than expected package of $8bn in four-year notes raising $3.7bn in fresh cash and $8bn in seven-year paper raising all new cash.

The recent renewed slide in the dollar may also sound alarm bells among investors, though the latest Treasury figures show that foreign investors bought a near record 20 per cent of the net new supply of Treasury notes and bonds in the 1986 first quarter despite a sharp decline in net Japanese purchases

The other disconcerting factor for US bond investors is the market's recent sharp volatility reflecting its relative thinness as well as fast-paced shifting market perceptions.

For example bond prices plunged 2½ points last Monday — as the Dow Industrial Average skidded to a record 45.75 point one-day decline. By the end of the week, however, both markets had bounced back

Among the big new corporate offerings Ralston Purina brought a $200m issue of 10-year 9 per cent notes to market prices at par. Niagra Mohawk Power sold $150m of 30-year 10 per cent bonds priced to yield 10.119 per cent and General Motors Acceptance Corporation launched a double-barrel offering of $200m in four-year 8 per cent notes priced at par and $300m of six-year 8¼ per cent notes price to yield 8.17 per cent. Overall most corporate bond prices rose by between ½ and 1½ points while new issue yields were unchanged to 20 basis points lower.

**Paul Taylor**

### US MONEY MARKET RATES (%)

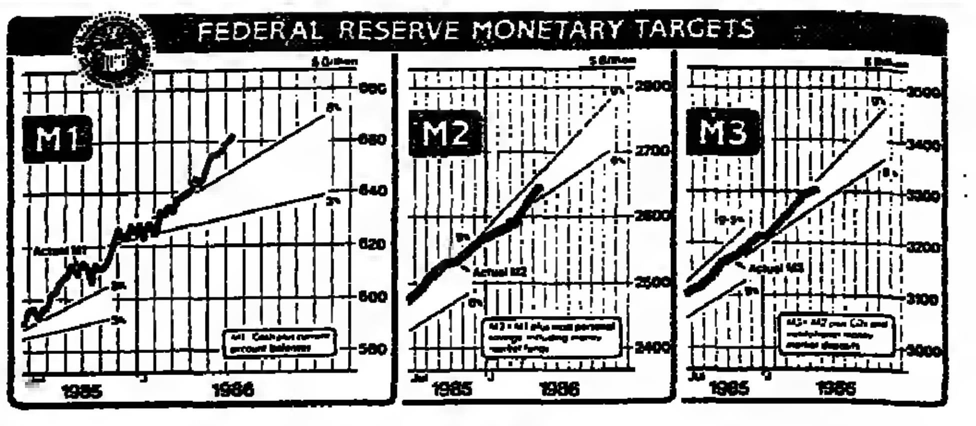
| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 6.87 | 7.03 | 6.89 | 9.91 | 6.79 |
| Three-month Treasury bills | 6.16 | 6.32 | 6.19 | 7.40 | 5.78 |
| Six-month Treasury bills | 6.23 | 6.37 | 6.28 | 7.48 | 5.79 |
| Three-month prime CDs | 6.75 | 6.83 | 6.82 | 8.16 | 6.42 |
| 30-day Commercial Paper | 6.75 | 6.80 | 6.75 | 8.05 | 6.38 |
| 90-day Commercial Paper | 6.78 | 6.75 | 6.70 | 8.00 | 6.25 |

### US BOND PRICES AND YIELDS (%)

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 98¼ | + 1½ | 7.81 | 7.90 | 7.93 |
| 20-year Treasury | 111½ | + 1½ | 9.20 | 6.34 | 8.19 |
| 30-year Treasury | 97⅞ | + 2¼ | 7.48 | 7.67 | 7.63 |
| New 10-year "A" Financial | — | + 1½ | 9.75 | 9.00 | 9.25 |
| New "AA" Long utility | — | + 1½ | 9.60 | 9.38 | 9.25 |
| New "AA" Long industrial | — | (nil) | 9.13 | 9.13 | 9.13 |

Source: Salomon Bros (estimates).

Money Supply: In the week ended June 2 M1 rose $1.7bn to $633.2bn. In May M2 grew $26.1bn to $2,647.1bn and M3 by $13.2bn to $3,307bn.




## UK GILTS

# Prices sent sliding as M3 blues takes hold

INTERPRETATION of the UK's provisional money supply figures is usually a numbing task requiring infinite patience. Last week, the message of a 3 per cent jump in sterling M3, the broad measure of money, in the May banking month was abundantly clear.

If it had been only the extent of the monetary surge, that might have been that. We have lived through jumps of 3 per cent in sterling M3 before—last month, for instance.

More worrying for the gilts market which is not supposed to pay much attention to the statistic these days, was the absence of any good excuse. Buoyant company investment in anticipation of the ending of capital allowances will no longer serve, as it has in the last few months.

Prices accordingly took a dive, dropping 1½ points at the long end on Tuesday and as much again on Wednesday.

Despite a steadier day on Thursday and something of a recovery on Friday the FT actuaries all stocks index ended the week 1.58 lower at 141.31, and the 25-year high coupon yield rose 2 basis points on the week to end at 9.39 per cent.

Although in some respects the message of the money supply figures was clear, and dire, interpretation was complicated by the fact that much of the growth came under the heading of "other counterparts." These are notoriously difficult to read, and it is unlikely that we will be much the wiser when the final money supply numbers are published on Thursday.

At the Bank of England there appears to be reasonable confidence that the "errors and omissions" which would come under this heading are not to blame. The suggestions that the jump might be due to the run-off of a repurchase agreement for trade guarantee paper was superficially attractive, since a remarkably congruent number appeared in the clearing banks' statement, but a casual reading of the footnotes to the banking statistics shows that it was wrong. More plausible perhaps is the issue by UK companies of Euro-sterling debt.

Even ignoring the "other counterparts" bank lending of £1.7bn in May is not negligible. It is in fact 18 per cent higher than in the same month of 1985 just as it was in banking April. Growth of 18 per cent is, those with long memories will recall, well above the government's official target for sterling M3 this year.

Mr Robert Thomas, of broker Greenwell Montagu, finds this undisturbing. "The more one analyses these figures the less worrying they are. We have had some high rates of monetary growth before, and I don't think these numbers make things worse. If you look at all the other indicators of monetary conditions, with the possible exception of house prices, there is nothing worrying."

Certainly there appears to be little that the Treasury can do about it, even if it does find sterling M3's rapid growth worrying—and some analysts detect a considerably lower pitch of anxiety there than at the Bank. It could raise interest rates or tighten fiscal policy, neither of which would have a very predictable or immediate effect on sterling M3, or it could sell more debt.

The last of these might happen anyway, since the underfunding of the public sector borrowing requirement in recent months is unlikely to be kept up for long. This would not make a major dent in monetary growth, however, without a return to the policy of overfunding, which would not do much for the gilt market.

None of this has yet shaken the market's conviction that the next move in base lending rates should be downwards. But it has delayed this move and made its timing more dependent on international interest rate movement. It has also made the market considerably less confident that there is room for further cuts in rates after that.

**George Graham**



# FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| AHFC O/S Fin 11¾ 94 | 100 | 104 | +0 | 10.78 |
| AIEC 11 89 | 75 | 105 | +0 | 8.48 |
| Alcan Australia 8½ 88 | 25 | 98 | 0 | 9.00 |
| Amer Savings 12 89 | 125 | 104 | 0 | 8.88 |
| Amer Savings 12¾ 89 | 100 | 106 | +0 | 8.92 |
| Asian Dev Bk 11¾ 93 | 100 | 115 | +0 | 8.88 |
| Australia 11½ 90 | 100 | 112 | +0 | 7.83 |
| Australia 11½ 95 | 300 | 118 | +0 | 8.89 |
| Australia 11½ 98 | 100 | 118 | +0 | 9.00 |
| Austria 15½ 88 | 75 | 112 | +0 | 7.88 |
| Avon Fin 10¾ 92 | 100 | 104 | +1 | 9.30 |
| Bk Nova Scotia 13¾ 87 | 100 | 105 | 0 | 7.75 |
| Bank of Tokyo 12¾ 92 | 100 | 112 | −0 | 8.41 |
| Bank of Tokyo 13¾ 91 | 100 | 120 | +0 | 8.40 |
| Bank of Tokyo 13⅞ 89 | 100 | 116 | +0 | 8.41 |
| BMW O/S Ents 10¼ 91 | 50 | 107 | −0 | 8.73 |
| BP Capital 11½ 92 | 150 | 108 | +1 | 8.21 |
| Br Col Hydro 11¾ 93 | 200 | 115 | +0 | 8.80 |
| Br Col Hydro 12½ 14 | 200 | 124 | +0 | 10.13 |
| Br Col Hydro 12½ 12 | 250 | 126 | +1 | 9.99 |
| Britoil Fin 11½ 90 | 125 | 108 | +0 | 8.99 |
| Caisse Nat En 11¾ 95 | 125 | 110 | +1 | 9.67 |
| Canada 10⅞ 88 | 500 | 108 | +0 | 7.87 |
| CBS Inc 11¾ 92 | 100 | 107 | −1 | 8.79 |
| Centrust S & L 6 10 | 1.2bn | 11 | +0 | 8.67 |
| Chesebrough 12 93 | 100 | 108 | −0 | 8.94 |
| Chubu Elec Pwr 13¾ 91 | 50 | 111 | −1 | 10.26 |
| Citicorp O/S 10¾ 90 | 100 | 102 | +0 | 9.53 |
| Citicorp O/S 11½ 90 | 100 | 104 | 0 | 10.38 |
| Citicorp 11¾ 92 | 150 | 106 | +0 | 10.16 |
| Citicorp 11¾ 97 | 200 | 107 | −0 | 10.61 |
| Citicorp O/S 14 94 | 100 | 100 | 0 | 18.88 |
| CNCA 11½ 92 | 125 | 112 | +0 | 8.71 |
| CNCA 13⅞ 91 | 100 | 117 | +0 | 8.75 |
| Coastled Int 12¾ 88 | 125 | 105 | +0 | 8.99 |
| Coca-Cola 11¾ 88 | 100 | 107 | +0 | 7.91 |
| Cp Fn de Paris 13⅞ 89 | 100 | 107 | −0 | 10.83 |
| Continental Grp 11¾ 93 | 75 | 104 | +0 | 10.81 |
| Creditanstalt 13⅝ 91 | 100 | 117 | −0 | 8.58 |
| Dai-Ichi Kangyo 12¾ 90 | 100 | 113 | +0 | 8.51 |
| Denmark 10¾ 90 | 100 | 104 | +0 | 9.35 |
| Denmark 11½ 92 | 100 | 111 | +0 | 8.84 |
| Denmark 12¾ 92 | 250 | 101 | +0 | 12.30 |
| Denmark 13 91 | 100 | 116 | +0 | 8.85 |
| Denmark 13 92 | 100 | 101 | +0 | 12.66 |
| Denmark 13¾ 91 | 100 | 118 | +0 | 9.82 |
| Denmark 13⅞ 88 | 100 | 111 | +0 | 8.04 |
| Denmark 14 91 | 100 | 111 | +0 | 10.95 |
| Digital Equip 11¾ 89 | 150 | 107 | +0 | 8.44 |
| Dutch St Mines 11¾ 91 | 150 | 107 | +0 | 9.29 |
| Eksportfinans 11⅞ 92 | 100 | 111 | +0 | 8.63 |
| Eksportfinans 11½ 90 | 100 | 107 | +0 | 9.24 |
| Elec de France 11¾ 93 | 100 | 112 | +1 | 8.59 |
| Elec de France 12¾ 97 | 150 | 108 | 0 | 7.69 |
| EEC 11 97 | 350 | 103 | +0 | 7.50 |
| EEC 11¾ 90 | 100 | 108 | +0 | 8.17 |
| EEC 12 93 | 100 | 117 | +0 | 8.73 |
| Elf-Aquitaine 10⅝ 89 | 100 | 105 | 0 | 8.55 |
| Ericsson L M 10¾ 88 | 100 | 103 | −0 | 8.04 |
| Euro Inv Bk 11¾ 90 | 200 | 111 | +0 | 8.37 |
| Euro Inv Bk 11¾ 91 | 73 | 108 | 0 | 9.25 |
| Euro Inv Bk 12½ 90 | 100 | 113 | +0 | 8.27 |
| EDC 9⅞ 88 | 200 | 102 | 0 | 8.61 |
| EDC 10 88 | 125 | 103 | +0 | 7.80 |
| EDC 10¾ 89 | 100 | 104 | +0 | 7.57 |
| EDC 11¾ 89 | 150 | 107 | +0 | 8.02 |
| EDC 12 89 | 100 | 110 | +0 | 8.24 |
| EDC 13¾ 87 | 100 | 106 | +0 | 7.62 |
| Fed Dept Stores 11 90 | 100 | 107 | +0 | 8.44 |
| Finland 11¾ 89 | 100 | 105 | +0 | 7.96 |
| Finland 12¾ 94 | 75 | 119 | +0 | 8.87 |
| Finnish Export 12¾ 97 | 75 | 106 | −0 | 7.73 |
| Firstfed Mich 1 13⅞ 89 | 125 | 108 | 0 | 9.61 |
| Florida Fed 12¾ 89 | 100 | 100 | +0 | 9.89 |
| FNMA 11.5 91 | 300 | 110 | +0 | 0.05 |
| Gen Elec Cred 0 96 | 800 | 42 | +0 | 8.80 |
| Gen Elec Cred 9⅝ 91 | 100 | 104 | +0 | 8.68 |
| Gen Elec Cred 10¾ 90 | 200 | 104 | +0 | 0.80 |
| Gen Elec Cred 11 91 | 200 | 105 | +0 | 8.30 |
| Gen Elec Cred 11¾ 87 | 200 | 104 | +0 | 10.79 |
| Gen Elec Cred 12 94 | 200 | 108 | +0 | 10.17 |
| Gen Foods Cap 11¾ 90 | 75 | 107 | +0 | 8.89 |
| General Mills S 12 91 | 100 | 112 | +2 | 0.08 |
| GMAC 10 88 | 200 | 103 | +0 | 7.10 |
| Gen Motors Acc 10¾ 90 | 200 | 104 | +0 | 6.12 |
| Gen Motors Acc 11¾ 00 | 100 | 108 | +0 | 6.37 |
| GMAC O/S Fin 15¾ 97 | 100 | 102 | −0 | 11.29 |
| GTE Finance 12 95 | 75 | 103 | 0 | 11.48 |
| Gulf Oil 10¾ 94 | 100 | 101 | −1 | 6.96 |
| GZB 14 91 | 100 | 118 | +0 | 9.24 |
| Hell Air Fin 12¾ 91 | 100 | 106 | +0 | 10.54 |
| Household Fin 11¾ 92 | 100 | 108 | +0 | 6.38 |
| IBM 9¾ 88 | 200 | 102 | +0 | 8.24 |
| IBM (WTC) 10¾ 89 | 300 | 104 | +0 | 8.72 |
| IBM Credit 11 89 | 100 | 100 | +0 | 8.21 |
| IC Industries 8¾ 87 | 35 | 39 | 0 | 0.15 |
| IC Industries 12 00 | 75 | 107 | −0 | 8.50 |
| Inco 92 | 100 | 99 | −0 | 8.18 |
| Ind Bk Japan 10¾ 92 | 100 | 106 | −1 | 8.13 |
| Ind Bk Japan 10¾ 95 | 100 | 110 | −0 | 8.07 |
| Ind Bk Japan 11¾ 89 | 125 | 107 | −1 | 6.27 |
| Ind Bk Japan 11¾ 91 | 100 | 112 | −0 | 6.95 |
| Int-Amer Dev 12¾ 91 | 150 | 115 | +0 | 8.78 |
| Int-Amer Dev 11¾ 94 | 200 | 114 | −2 | 9.30 |
| Int Paper 12 01 | 75 | 100 | −0 | 10.45 |
| Int Stand Elec 0 97 | 118 | 30 | +0 | 10.48 |
| Int Stand Elec 12 96 | 75 | 106 | +0 | 10.81 |
| ITT 11½ 89 | 125 | 108 | −0 | 9.22 |
| ITT Credit Corp 10⅞ 00 | 75 | 104 | +0 | 0.06 |
| Japan Airlines 12½ 94 | 10 | 117 | −1 | 0.23 |
| Japan-Dev Bk 10¾ 92 | 50 | 106 | 0 | 8.33 |
| Kellogg Co 10⅞ 00 | 100 | 106 | +0 | 6.98 |
| Kellogg Co 11¾ 92 | 100 | 110 | +0 | 8.79 |
| Kimberley-Clark 12 94 | 100 | 116 | +0 | 8.06 |
| Kyowa Fin HK 12⅞ 90 | 100 | 113 | +0 | 8.55 |
| Long Term Cred 10¾ 90 | 100 | 107 | +0 | 9.44 |
| Long Term Cred 11 90 | 100 | 107 | +0 | 8.44 |
| Long Term Cred 11¾ 89 | 100 | 108 | +0 | 6.27 |
| Long Term Credit 12 93 | 100 | 117 | +1 | 8.71 |
| Macy R H 11¾ 91 | 100 | 104 | −0 | 10.36 |
| Macy R H 11¾ 95 | 100 | 105 | −0 | 10.97 |
| Marubeni 11¾ 91 | 100 | 106 | −0 | 0.80 |
| McDonalds Fin 11¾ 94 | 75 | 107 | +0 | 10.06 |
| Merrill Lynch 12¾ 89 | 100 | 108 | +0 | 10.42 |
| Michelin 16 94 | 125 | 100 | −0 | 8.96 |
| Mitsubishi Cp 10⅞ 92 | 100 | 106 | −1 | 8.02 |
| Mitsubishi Cp 10¾ 95 | 200 | 107 | +0 | 9.35 |
| Mitsubishi Cp 12¾ 91 | 100 | 116 | +1 | 0.35 |
| Mitsubishi Est 10¾ 92 | 50 | 104 | +1 | 6.32 |
| Mitsubishi Est 11¾ 88 | 00 | 106 | +0 | 7.98 |
| Mitsui Fin Asia 12½ 92 | 100 | 111 | −0 | 9.40 |
| Mitsui Tst Fin 12 91 | 100 | 112 | −0 | 9.60 |
| Mobil Corp 10¾ 90 | 200 | 102 | −0 | 9.38 |
| Montreal City 12¾ 91 | 70 | 112 | −0 | 0.10 |
| Mgn Guaranty 12¾ 90 | 150 | 109 | +0 | 9.27 |
| Morgan J P 11¾ 92 | 100 | 107 | +0 | 9.51 |
| Mount Isa Fin 13¾ 87 | 100 | 105 | +0 | 6.45 |
| Ned Gasunie 11¾ 90 | 75 | 110 | 0 | 6.23 |
| Ned Gasunie 11¾ 91 | 75 | 109 | −0 | 6.50 |
| N Eng Lf Mtg 11½ 95 | 140 | 111 | +0 | 9.76 |
| Newfoundland 13 91 | 75 | 114 | −0 | 9.27 |
| Nippon Crd Bk 13⅞ 89 | 100 | 114 | +0 | 8.37 |
| Nippon Cred Bk 9¾ 93 | 90 | 96 | −1 | 10.02 |
| Nippon Tel Tel 11¾ 90 | 100 | 108 | −0 | 8.43 |
| Nippon Tel Tel 12¾ 91 | 100 | 117 | +0 | 8.35 |
| Nissho Iwai 10¾ 92 | 100 | 108 | +0 | 9.35 |
| Nova Scotia 11¾ 91 | 100 | 105 | +1 | 10.10 |
| Nova Scotia 11¾ 98 | 100 | 111 | −0 | 9.95 |
| Oester Post 12¾ 89 | 75 | 108 | +0 | 6.98 |
| Ontario Hydro 11½ 94 | 200 | 115 | +0 | 8.70 |
| Ontario Hydro 11¾ 90 | 200 | 111 | +0 | 9.42 |
| Ontario 12¾ 94 | 250 | 119 | −0 | 9.17 |
| Orient Fin 11 92 | 50 | 106 | −1 | 9.42 |
| Pacific Gas & El 12 00 | 75 | 111 | +0 | 10.36 |
| Penney J C 11⅞ 90 | 100 | 105 | 0 | 10.31 |
| Penney J C 12¾ 91 | 100 | 111 | +0 | 9.77 |
| Phillips Petrol 14 89 | 200 | 102 | 0 | 13.09 |
| Postipankki 11½ 90 | 75 | 106 | +0 | 8.94 |
| Post-Och Kred 13¾ 87 | 50 | 106 | −0 | 7.46 |
| Privatbanken 12¾ 95 | 100 | 115 | −2 | 9.70 |
| Prudential Ins 12¾ 87 | 150 | 106 | +0 | 7.49 |
| Pru Rlty Secs 0 99 | 385 | 33 | 0 | 6.14 |
| Pru Rlty Secs 11⅞ 92 | 385 | 106 | +0 | 10.43 |
| Quebec Prov 12⅞ 94 | 150 | 112 | −0 | 0.78 |
| Queensland Gvt 11¾ 89 | 100 | 100 | +0 | 6.44 |
| RBC 11¾ 90 | 100 | 106 | +0 | 0.94 |
| Rural Bk Aust 12 91 | 50 | 108 | +0 | 6.53 |
| Sanwa Bank 11⅞ 92 | 100 | 110 | +0 | 6.29 |
| Sanwa Intl 11¾ 92 | 100 | 111 | +0 | 8.85 |
| Saskatchewan 10¾ 92 | 100 | 108 | +0 | 8.72 |
| Saskatchewan 10¾ 90 | 125 | 107 | +0 | 8.28 |
| Saskatchewan 11⅞ 89 | 100 | 110 | +0 | 8.27 |
| Saskatchewan 15 92 | 150 | 127 | +0 | 0.01 |
| Saskatchewan 16 89 | 125 | 110 | +0 | 8.27 |
| Scot Intl Fin 14¾ 90 | 50 | 106 | +0 | 8.96 |
| Sears O/S Fin 0 98 | 500 | 34 | +0 | 8.31 |
| Sears Roebuck 10½ 91 | 150 | 106 | +0 | 9.16 |
| Sears Roebuck 11¾ 91 | 150 | 116 | +0 | 6.68 |
| Sec Pacific 12 92 | 100 | 113 | +0 | 8.86 |
| Shearson/Amex 12⅞ 94 | 100 | 113 | 0 | 8.52 |
| Shell (Canada) 14¾ 92 | 125 | 113 | +0 | 11.13 |
| Signal Comps 11¾ 92 | 125 | 108 | +0 | 8.71 |
| Standard Oil 10¾ 89 | 150 | 102 | +0 | 6.14 |
| Statoil 12 88 | 100 | 107 | +0 | 7.66 |
| Sumitomo F A 10¾ 90 | 100 | 107 | +0 | 8.45 |
| Sumitomo Fin 11¾ 92 | 150 | 112 | +0 | 6.81 |
| Sumitomo Fin 12¾ 91 | 150 | 116 | +1 | 0.71 |
| Sumitomo Trust 12½ 92 | 100 | 113 | −0 | 8.28 |
| Sweden 11¾ 89 | 200 | 109 | +0 | 8.19 |
| Sweden 12¾ 89 | 200 | 110 | +0 | 6.20 |
| Swedish Export 10¾ 88 | 100 | 104 | +0 | 8.88 |
| Swedish Export 11½ 89 | 100 | 107 | +0 | 0.12 |
| Swedish Export 12¾ 89 | 100 | 116 | +0 | 0.02 |
| Taiyo Kobe 11⅞ 00 | 100 | 108 | −0 | 8.19 |
| Taiyo Kobe 12 90 | 100 | 111 | +0 | 0.72 |
| Tenneco Corp 11¾ 89 | 150 | 104 | +0 | 8.24 |
| Texaco Capital 10¾ 90 | 200 | 97 | −0 | 11.21 |
| Texaco Capital 11¾ 95 | 250 | 100 | 0 | 11.07 |
| Texaco Capital 13¾ 89 | 200 | 104 | 0 | 11.27 |
| Texas Instru 11¾ 91 | 100 | 106 | 0 | 10.83 |
| Tokai Asia 13¾ 91 | 100 | 112 | −1 | 0.78 |
| Tokyo Elec Pr 13¾ 89 | 100 | 111 | −0 | 0.06 |
| Tokyo Metrop 12¾ 94 | 50 | 118 | +0 | 8.51 |
| Tomy Inds 11¾ 92 | 50 | 107 | −0 | 0.32 |
| Toronto-Dom 12¾ 89 | 50 | 109 | −0 | 8.72 |
| UBS 12¾ 91 | 100 | 108 | −0 | 9.96 |
| Utd Tech 11¾ 92 | 150 | 109 | +0 | 6.94 |
| Vebe 6 93 | 70 | 229 | 0 | 0.00 |
| West LB 11¾ 90 | 100 | 111 | 0 | 0.88 |
| Westpac 12¾ 92 | 100 | 114 | −0 | 9.78 |
| Weyerhaeuser 11¾ 90 | 60 | 104 | −1 | 10.08 |
| World Bank 11 92 | 300 | 110 | +0 | 6.47 |
| World Bank 11¾ 00 | 200 | 110 | +0 | 9.38 |
| World Bank 11¾ 89 | 200 | 107 | +0 | 7.90 |
| World Bank 12 93 | 200 | 117 | +1 | 0.85 |
| World Bank 12¾ 94 | 150 | 120 | +0 | 9.68 |
| World Bank 12⅞ 94 | 200 | 123 | +1 | 8.74 |
| Yasuda Trust 12¾ 89 | 100 | 109 | +1 | 8.28 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| African Dev Bk ¼ 88 | 100 | 100 | 0 | 8 |
| Allied Irish ¼ Perp | 100 | 98 | 0 | 7 |
| Arab Bank Corp ¼ 96 | 100 | 89 | −0 | 7 |
| Banco di Roma ⅛ 89 | 150 | 100 | 0 | 7 |
| Bno di Roma ⅛ 92 CU | 75 | 101 | +1 | 10 |
| Bankamerica O/S ¼ 96 | 400 | 98 | 0 | 7 |
| Bankers Tr NY ¼ 94 | 200 | 100 | 0 | 7 |
| Bank of Greece ¼ 94 | 150 | 97 | 0 | 8 |
| Bank Montreal ¼ 94 £ | 100 | 100 | 0 | 11 |
| Bqe Nat Paris ¼ 88 | 400 | 101 | 0 | 0 |
| Bqe Nat Paris ¼ 95 | 400 | 102 | +0 | 8 |
| Bqe Nat Paris ¼ 96 | 250 | | | 0 |
| Barclays O/S ¼ Perp | 600 | 100 | 0 | 7 |
| BBL ¼ 89 | 100 | 100 | 0 | 8 |
| BFCE ¼ 97 | 400 | 99 | 0 | 7 |
| BFCE ½ 99 | 500 | 100 | 0 | 7 |
| Belgium ⅛ 04 | 400 | 100 | 0 | 7 |
| CCCE ¼ 05 | 200 | 100 | 0 | 7 |
| CEPME ¼ 98 £ | 100 | 100 | 0 | 11 |
| Chase Manhattan ¼ 09 | 400 | 100 | −0 | 7 |
| Chemical NY ⅛ 99 | 300 | 99 | 0 | 7 |
| Citicorp O/S ¼ 91 £ | 100 | 99 | 0 | 10 |
| Citicorp O/S ½ 89 | 250 | 98 | −0 | 7 |
| Citicorp Ren Pen ¼ 97 | 250 | 100 | 0 | 7 |
| Commerzbank ¼ 89 | 150 | 100 | 0 | 7 |
| Creditanstalt ⅛ 90 | 150 | 100 | 0 | 6 |
| Credit Foncier 97 | 350 | 100 | −0 | 7 |
| Credit Foncier ¼ 00 £ | 100 | 100 | 0 | 10 |
| Credit Lyonnais ¼ 96 | 300 | 101 | −0 | 8 |
| Credit Lyonnais ¼ 89 | 250 | 100 | 0 | 8 |
| Credit Lyonnais ⅛ 00 | 300 | 100 | +0 | 8 |
| Credit National ¼ 96 £ | 100 | 100 | −0 | 11 |
| Dai-Ichi Kangyo ¼ 96 | 150 | 100 | −0 | 6 |
| Den Danske Bk ⅛ 89 | 30 | 100 | 0 | 8 |
| Denmark ⅛ 95 | 250 | 107 | −0 | 10 |
| Denmark ⅛ 04 | 500 | 100 | 0 | 8 |
| Eldorado Neke 89 | 100 | 100 | 0 | 8 |
| Elec de France ¼ 99 | 400 | 102 | +0 | 8 |
| ENEL ¼ 93 £ | 100 | 100 | 0 | 11 |
| Exterior Int ¼ 96 | 125 | 100 | 0 | 8 |
| Ferro del Stat ¼ 89 | 100 | 100 | 0 | 8 |
| Ferro del Stat 97 | 420 | 100 | 0 | 7 |
| Finapep ¼ 85 | 100 | 100 | 0 | 0 |
| [illegible] | | | | |

| | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Daiwa Secs 5½ 98 | 80 | 546 | +38 | −0.80 |
| Elders 11¾ 94 | 190 | 134 | +4 | −12.50 |
| Elektrowatt 5 98 | 51 | 139 | +0 | −7.23 |
| Fuji Bank 2¾ 00 | 100 | 131 | +3 | 1.30 |
| Fujitsu 3 99 | 188 | 121 | +0 | −0.04 |
| Intec Inc 3 99 | 50 | 179 | −5 | −2.12 |
| Kyowa Hakko 6¾ 87 | 40 | 398 | +11 | 0.06 |
| LASMO 9¾ 99 | 44 | 87 | +0 | 119.88 |
| Moet-Hennessy 7 99 | 50 | 157 | −6 | −88.58 |
| Murata Mfg 3½ 00 | 100 | 158 | +0 | 19.81 |
| Nippon Oil 3¾ 99 | 50 | 164 | +2 | 4.88 |
| Ono Pharm 3¾ 98 | 90 | 186 | +2 | −1.82 |
| Soc Gen Surv 4½ 94 | 50 | 189 | +2 | −3.84 |
| Sumitomo Corp 2⅞ 99 | 70 | 206 | +12 | 1.22 |
| Texaco Capital 11¾ 94 | 1bn | 105 | +0 | 63.16 |
| Texaco Capital 11¾ 94 | 500 | 105 | −0 | 62.88 |
| Tamum Juntando 5¼ 98 | 30 | 194 | +1 | −3.00 |
| Yamaichi Sec 3¾ 95 | 20 | 323 | +34 | −0.03 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7½ 94 | 15 | 107 | +1 | 6.80 |
| Avon Products 6¾ 91 | 25 | 101 | +1 | 6.38 |
| Denmark 6¾ 92 | 20 | 103 | +1 | 5.98 |
| Dow Chemical 7 94 | 50 | 101 | +1 | 6.73 |
| EEF 8⅞ 95 | 20 | 106 | +1 | 5.88 |
| Eurofima 7¾ 94 | 16 | 103 | +0 | 6.71 |
| Eurofima 6¾ 92 | 16 | 101 | +0 | 6.24 |
| FNMA 6⅞ 92 | 00 | 103 | +0 | 6.06 |
| GMAC 6⅝ 90 | 25 | 101 | +0 | 5.94 |
| Intel 6⅝ 92 | 12.8 | 99 | +0 | 6.67 |
| Int-Amer Dev 7⅞ 93 | 15 | 103 | +0 | 7.17 |
| ITT 5¾ 92 | 20 | 101 | +1 | 5.47 |
| McDonald Corp 6½ 92 | 25 | 101 | +1 | 6.11 |
| New Zealand 7¾ 90 | 16 | 105 | +0 | 5.64 |
| New Zealand 7½ 89 | 15 | 105 | +0 | 5.63 |
| Pacific Gas & El 7 94 | 20 | 102 | −0 | 6.61 |
| Penney J. C. 6¾ 92 | 28 | 101 | +1 | 6.41 |
| Proctor 6⅝ 92 | 25 | 103 | +0 | 5.86 |
| Sallie Mae 8½ 92 | 25 | 102 | +0 | 6.80 |
| TRW 7 94 | 15 | 101 | +1 | 6.77 |
| Utd Technology 6¾ 92 | 25 | 101 | +1 | 6.34 |
| World Bank 7 94 | 20 | 107 | +0 | 5.78 |
| World Bank 7½ 93 | 20 | 111 | +1 | 5.74 |
| World Bank 8 93 | 20 | 111 | +0 | 5.63 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ASEA 9⅝ 89 | 600 | 100 | 0 | 9.46 |
| Eurofima 10 94 | 600 | 104 | −0 | 9.13 |
| E Coal & Steel 10½ 94 | 1bn | 105 | −1 | 9.58 |
| Euroinvest Bk 10¾ 94 | 1bn | 107 | 0 | 9.19 |
| World Bank 10¾ 89 | 1bn | 105 | −0 | 8.25 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 104 | −0 | 6.10 |
| ABN 7¾ 89 | 150 | 104 | +0 | 6.13 |
| Amro Bank 7¾ 89 | 150 | 102 | 0 | 6.28 |
| Amro Bank 8 89 | 200 | 104 | −0 | 6.16 |
| Bk Mees & Hope 8¾ 89 | 100 | 104 | −0 | 6.32 |
| Beatrice Foods 8½ 89 | 100 | 104 | 0 | 6.63 |
| C C Rabo 8 89 | 150 | 104 | 0 | 6.11 |
| Denmark 9½ 91 | 100 | 108 | 0 | 6.34 |
| Int Stand Elec 8½ 89 | 100 | 104 | −0 | 5.68 |
| New Zealand 8¾ 89 | 100 | 105 | −0 | 6.32 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amax 12½ 91 | 50 | 105 | 0 | 10.36 |
| Aust Resources 11½ 92 | 50 | 107 | +0 | 9.90 |
| Bank of Tokyo 10⅞ 92 | 75 | 102 | +0 | 10.25 |
| Bqe l'Indosuez 14 91 | 75 | 112 | +0 | 10.66 |
| Br Col Munic 12⅞ 91 | 100 | 108 | +0 | 10.11 |
| Br Col Munic 13½ 91 | 100 | 112 | +0 | 10.21 |
| Br Col Tele 12¾ 89 | 76 | 104 | −0 | 11.61 |
| Farm Cred Corp 12¾ 90 | 75 | 107 | −0 | 9.95 |
| Kredietbank 12 92 | 75 | 108 | +0 | 10.00 |
| Long Term Cred 11¾ 90 | 75 | 106 | +0 | 9.62 |
| Montreal City 12¾ 91 | 50 | 108 | +0 | 10.02 |
| New Brunswick 12 95 | 75 | 109 | 0 | 10.22 |
| Nova Scotia 11¾ 95 | 100 | 106 | −0 | 10.15 |
| Quebec Hydro 14 91 | 75 | 107 | −0 | 11.86 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 106 | −0 | 8.04 |
| Australia & NZ 10¾ 91 | 50 | 104 | −0 | 5.46 |
| Austria 10¾ 93 | 100 | 113 | +0 | 7.57 |
| BFCE 9¾ 92 | 100 | 109 | +0 | 7.52 |
| Cred National 10⅞ 94 | 50 | 116 | +0 | 7.89 |
| Cred National 11¾ 91 | 50 | 106 | −1 | 8.63 |
| Denmark 10¾ 91 | 75 | 107 | +2 | 8.66 |
| Ebco Intnl 10⅞ 89 | 55 | 103 | −0 | 8.18 |
| EEC 11 93 | 50 | 101 | −0 | 10.70 |
| EEC 11¾ 91 | 50 | 108 | −0 | 8.03 |
| EEC 11¾ 93 | 70 | 101 | −0 | 10.94 |
| Euro Coal & Steel 6 94 | 00 | 122 | −1 | 8.07 |
| Euro Invest Bk 8¾ 95 | 200 | 108 | 0 | 7.86 |
| Euro Invest Bk 10¾ 94 | 130 | 112 | +0 | 7.88 |
| Euro Invest Bk 10¾ 89 | 60 | 109 | +3 | 6.55 |
| Euro Invest Bk 10¾ 94 | 100 | 112 | 0 | 0.39 |
| Euro Invest Bk 11¾ 92 | 75 | 111 | +0 | 8.68 |
| Euro Invest Bk 11¾ 93 | 50 | 107 | −1 | 8.71 |
| Euro Invest Bk 11¾ 90 | 50 | 116 | +2 | 8.40 |
| Gen Finance 11 90 | 70 | 100 | −0 | 8.18 |
| Gim Vienna 10¾ 93 | 00 | 113 | 0 | 8.10 |
| GTE Finance 10⅞ 92 | 50 | 107 | −0 | 8.14 |
| [illegible] | | | | |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on June 13.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

## Bourse fall may upset Belgian bank issues

IS THE Belgian stock market's recent setback e temporary hiccup—or is the slide in share prices of more lasting significance?

The answer is of more than passing interest to the country's "big three" commercial banks—Société Générale de Banque, Bank Bruxelles Lambert and Kredietbank — which have all announced or foreshadowed major rights issues in the last few weeks.

Conscious that by international standards their capital ratios are low, they have all been tempted to ask shareholders for new funds by the strong performance of the stock market in the early months of the year which took the bourse index up by around 25 per cent between earty January and mid-May.

The latest move came on Friday when Mr Jan Huyghebaert, president of Kredietbank, revealed that bis bank is considering a BFr 4bn ($89m) issue later this summer. No other details were given but a decision is expected by the end of the month.

That announcement followed Thursday's news of a BFr 3.3bn issue from Bank Bruxelles Lambert — its third increase of capital so far in 1986 — and a BFr 7bn issue from Société Générale de Banque, the country's largest bank, et the beginning of May.

Generale de Banque's timing eppears to have been perfect for the Belgian stock market peaked in the middle of last month at 3,700. Bu1 by the end of last week the index had slipped back to just over 3,500 amid e general weakening of share prices, thereby inevitably creating a degree of uncertainty for BBL and Kredietbank.

According to one local stockbroker three factors bave been responsible—the recent unwillingness of the market to ebsorb a Government bond carrying a coupon of 7.25 per cent, thus diseppointing expectations for furtber interest rate falls; concern that the Belgian Government may not have delivered a sufficiently tough response to the spate of public sector strikes; and the simultaneous weakness of other European bourses such as Paris and Milan.

With tentative signs that union opposition to the Government's policies may be losing its momentum and evidence that foreign institutions have not been selling shares, there is some bope in Brussels that the worst of the fall may be over.

The problem of Belgian banks' undercapitalisation, bowever, is likely to remain. Traditionally capital ratios in Belgium have been low by international standards because of the detailed application of the rules of the Bank Commission, the country's main supervisory body.

These require that for every BFr 100 lent to the private sector hanks have to show BFr 5 in equity; but the same amount lent to the Belgian Government need not be backed up by any equity at all. In Belgium the state is a mejor and persuasive borrower of funds.

Up-to-date information is hard to come by but fig/:es from Kredietbank, show that tangible net worth plus an element of subordinated loans as a proportion of total assets were roughly 2.7 per cent st BBL and Generale de Banque at the end of their last financial years (September and December 1985 respectively) and just over 3 per cent at Kredietbank at the end of March 1987.

BBL claims that taking into account the proceeds of last week's issue (a 1-for-8 priced at BFr 2,550 per share) its key ratio will rise to between 4½ and 5 per cent.

At the moment Belgian banks are allowed to include for ratio purposes an amount of subordinated loan up to 50 per cent of their equity. But there is a feeling that in line with international practice that proportion may in the future be reduced. It is also possible that the Bank Commission may increase from 5 to 6 per cent, the minimum capital backing for loans to the private sector.

The main reason for the BBL issue, however—and a powerful incentive for the other banks—is a desire to bring its capital ratio more into line with the European average. "We need a higher capital base to win the full confidence of overseas clients," the bank explained.

● *Manufacturers Honover Trust* has agreed 1o sell the retail operations of its wbolly owned Belgian subsidiary, Manufacturers Hanover Bank/Belgium, to Chase Banque de Commerce, a Belgian subsidiary of Chase Manhattan. The unit has roughly $100m in retail deposits.

Manufacturers Hanover is also to discontinoe the wbolesale banking activities of its Belgian subsidiary and to shift responsibility for the Benelux corporate banking business to the bank's other European branches.

**Tim Dickson**

**BRUXELLES - LAMBERT, the financial group, is negotiating to take around 20 per cent in one of the main holding groups of France's Schneider industrial conglomerate.**

**The stake to be taken as part of a capital increase planned by Schneider, would enlarge Bruxelles-Lambert's financial muscle at a time when it is seeking to profit from forthcoming changes in France's business landscape arising from the Government's privatisation programme.**

**Although negotiations have not yet been finalised, Bruxelles-Lambert could take the 20 per cent in either of the two Schneider holding companies Societe Parisienne d'Etudes et de Participations (SPEP) or Societe Parisienne Industrielle et Financiere (Sopinfi).**

**These companies have control of the Schneider empire which comprises mainly of Merlin-Gerin, the electrical group, Spie Batignolles, the Dutch concern and Jeumont-Schneider, the telecommunications and transport group.**

**Axa the large French private sector insurance group, is also seeking to enlarge its stake in the Schneider empire beyond the 10 per cent of Sopinfi it already holds, as a result of Axa's recent acquisition of Providence, the insurance concern.**

**Paribas, the nationalised financial group, has a 12 per cent stake in SPEP while Framatome, the French nuclear reactor builder, is believed recently to have acquired a stake in a Schneider holding company on the bourse.**

## Bergen Bank increases operating profit by 51%

BY FAY GJESTER IN OSLO

BERGEN BANK, Norway's third largest commercial bank, achieved sharply bigher profits for the first four months of 1986 despite tough credit market regulations which hit interest margins.

The improvement—operating profits rose by 51 per cent—ie attributed both to slower cost increases and significantly improved earnings from other ectivities, particularly trading in securities and foreign currencies.

The outlook for the rest of 1986 is described as less certain, following Norway's change of government and the "fluid political situation." The bank notes that the promised austerity policy is likely to lead to a slowdown in lending growth.

"The operating results for the next eight months will largely depend on the money and credit measures adopted by the authorities," the bank says.

Operating profits before bad debt allocations were NKr 265m ($35.3m) for the four months. This represented 1.78 per cent of everage total assets, compared with 1.51 per cent in the same period last year. Net interest earnings rose NKr 88m to NKr 456m.

The marked growth in the bank's lending over the period —52 per cent to just over NKr 32bn—has been largely financed by borrowing on the money market, where rates heve risen

Operating costs rose 20 per cent to NKr 434m, but as a proportion of average total assets fell below 3 per cent for the first time ever—to 2.92 per cent, compared with 3.13 per cent

## Kanebo 11% ahead on sales little changed

By Our Financial Staff

KANEBO, the large Japanese fabrics and cosmetics group, boosted pre-tax profits of 10.93 per cent to Y8.12bn ($49m) in the year to April, on sales which edged just 1.3 per cent *higher to Y330.78bn.*

As expected, the dividend has been increased to Y4 a share from the Y3 paid the previous year, when the company restored cash distributions to shareholders.

This was paid from net earnings per share of Y6.24 against Y5.40, or Y2.81bn in total compared with Y2.43bn.

Kanebo refrained from making any forecast for the current year, which will bring it to its centenary. The company has been diversifying recently into fashion as well as into pbarmaceuticals.

## Trading link for Chicago and Toronto exchanges

BY DAVID OWEN IN CHICAGO

A COMPUTER-BASED international trading link is to be established today between Chicago's Midwest Stock Exchange and the Toronto Stock Exchange in Canada.

The link, agreed in principle in January, 1985, will enable member brokerage firms on both exchanges to trade initially in 19 dually-listed stocks — 12 Canadian-based and seven US-based issues.

"We view this link as e major step towards establishing international markets," said TSE. Mr Donald Page, the TSE chairman. "By linking the TSE market with others, we are starting to build e network of central order book markets that are both highly liquid and well reguleted."

As well es creating a more liquid market for tha dually-listed stocks, it is expected that associated brokerage costs will be considerably reduced. Faster execntion should also lessen the risk af major share price shifts between order placement and completion.

Orders are to be transmitted between the two trading floors using the exchange's existing automated trading system. Trades originated in Chicago will be settled at the Midwest Clearing Corporation, while Toronto originated orders will pass through the Canadian Depository for Securities Ltd.

A mechanism for the immediate conversion of US and Canadian dollars is in place in Toronto, allowing members of both exchanges to settle in their own currencies.

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| United Cable Tel. Corp. §‡ | 50 | 2001 | 15 | 5¾ | 100 | Drexel Burnham Lambert | 5.750 |
| Yamaichi Secs. Co. ¶‡ | 40 | 1996 | 10 | 4 | 100 | Yamaichi Int. (Eur) | 4.000 |
| Yamaichi Secs. Co. ¶‡ | 30 | 1993 | 7 | 3¼ | 100 | Yamaichi Int. (HK) | 3.250 |
| Sunrise Medical §‡ | 25 | 1996 | 10 | 7¼ | 100 | Kidder Peabody | 7.250 |
| Hitachi Credit ¶‡ | 40 | 1991 | 5 | 2¾ | 100 | Nomura Int. | 2.750 |
| Viacom Int. §‡ | 200 | 2001 | 15 | 5¾ | 100 | CSFB | 5.750 |
| Sumitomo Corp. of America (g)‡ | 50 | 1991 | 5 | 9 | 99 | Nomura Int. | 9.252 |
| PK Banken (a)†‡ | 50 | 1991 | 5 | (a) | 100 | Daiwa Europe | - |
| Marks and Spencer ‡ | 150 | 1996 | 10 | 8¼ | 100¼ | CSFB | 8.212 |
| Centrust Savings Bank (c)†‡ | 100 | 1996 | 10 | 15bp | 100 | Banque Paribas Cap. Mkts | - |
| Hongkong Bank (c)†‡ | 400 | Perp | - | ³⁄₁₆ | 100 | Morgan Guaranty | - |
| Denmark ‡ | 300 | 1991 | 5 | 8¼ | 100½ | Goldman Sachs | 8.124 |
| Morgan Stanley (d)†‡ | 200 | 1993 | 7 | ⅛ | 100 | Morgan Stanley Int | - |
| Merrill Lynch ‡ | 100 | 1991 | 5 | 8¾ | 101⅜ | Merrill Lynch Cap.Mkts | 8.402 |
| Mitsui Finance Asia ‡ | 100 | 1993 | 7 | 8½ | 100⅜ | Salomon Bros. Int. | 8.427 |
| Showa Denko ‡ | 100 | 1993 | 7 | 5 | 101⅝ | Nomura Int. | 8.881 |
| Glory Ltd. ¶ | 50 | 1993 | 7 | (3½) | 100 | Yamaichi Int. (Eur) | • |
| Sweden ‡ | 150 | 1994 | 8 | 8⅛ | 99½ | CSFB | 8.213 |
| Belgian Generale Bank (g)(i)†‡ | 50 | 1980 | 3 | 295bp | 100 | Bank of Tokyo Int. | - |
| Ford Motor Credit ‡ | 200 | 1989 | 3 | 9 | 100⅞ | Goldman Sachs | 7.063 |
| **CANADIAN DOLLARS** | | | | | | | |
| Den norske Creditbank ‡ | 75 | 1989 | 3 | 9¾ | 101 | Goldman Sachs Int. | 9.353 |
| Vancouver City Savings ‡ | 50 | 1991 | 5 | 9¾ | 100⅞ | Shearson Lehman Bros. Int. | 9.522 |
| T-D Mortgage ‡ | 75 | 1991 | 5 | 10 | 100⅝ | Toronto Dominion Int. | 9.830 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Hamburgische Landesbank ‡ | 30 | 1991 | 5 | 13 | 101¼ | Deutsche Bank Cap. Markets | 12.648 |
| **D-MARKS** | | | | | | | |
| Suminoe Textile Co. ¶‡ | 50 | 1993 | 7 | 1¼ | 100 | WestLB | 1.250 |
| Bqe Exterieur D'Algérie ‡ | 200 | 1992 | 0 | 6¾ | 100 | DG Bank | 6.750 |
| Midland Bank (j)†‡ | 300 | 1990 | 12 | ¹⁄₁₆ | 100 | Trinkaus & Burkhardt | - |
| Norsk Data ¶‡ | 150 | 1993 | 7 | 3 | 100 | CSFB | 3.000 |
| Ardal og Sunndal Verk **‡ | 75 | 1989 | 3 | 5½ | 100 | Deutsche Bank | 5.500 |
| **SWISS FRANCS** | | | | | | | |
| Bank of Greece | 100 | 1994 | - | (6½) | (99) | B. della Svizzera Ital. | • |
| Asian Dev. Bank ‡ | 100 | 1994 | - | 5⅛ | 99¾ | Credit Suisse | 5.164 |
| Shield Enterprises § | 200 max | 1993 | - | (6¼) | (100) | Soditic | • |
| Sanyo Coca Cola **§‡ | 25 | 1991 | - | 1 | 100 | Bqe Paribas (Suisse) | 1.000 |
| Takara Shuzo **¶‡ | 30 | 1991 | - | 1 | 100 | Crédit Suisse | 1.000 |
| United Breweries ‡ | 80 | 1996 | - | 5 | 100 | UBS | 5.000 |
| Southmark Corp. ¶ | 200 max | 1994 | - | (5½) | (100) | Bqe Paribas (Suisse) | • |
| Kikusui Elec. **‡ | 15 | 1991 | - | 4⅞ | 100 | Crédit Suisse | 4.875 |
| MVG | 12 | 1996 | - | (6⅝) | 100 | Banque Gutzwiller | • |
| Denki Kagaku ** | 150 | 1991 | - | (1¾) | 100 | Bqe Paribas (Suisse) | • |
| Tokyo Cosmos Elec **‡ | 20 | 1991 | - | 4⅞ | 100 | Swiss Volksbank | 4.875 |
| **STERLING** | | | | | | | |
| Yamaichi Secs. Co. ¶‡ | 20 | 1991 | 5 | 3¼ | 100 | Yamaichi Int. (Eur) | 3.250 |
| Abbey National (h)†‡ | 200 | 1993 | 7 | 10bp | 100.05 | Samuel Montagu | - |
| **FINNISH MARKKA** | | | | | | | |
| NIB (L) ‡ | 125 | 1991 | 5 | 9⅝ | 100 | K.O.P. | 9.625 |
| **ECUs** | | | | | | | |
| C. Itoh ¶‡ | 100 | 1991 | 5 | 2¼ | 100 | Banque Paribas | 2.250 |
| CCCE (h)†‡ | 200 | 2006 | 20 | ¹⁄₁₆ | 100 | Banque Paribas | - |
| Gillette ‡ | 55 | 1993 | 7 | 7½ | 100¼ | Banque Paribas Cap. Mkt. | 7.463 |
| **DUTCH GUILDERS** | | | | | | | |
| Ireland ‡ | 200 | 1990 | 10 | 6½ | 99 | ABN | 6.648 |
| **FRENCH FRANCS** | | | | | | | |
| Air France (F)†‡ | 600 | 1990 | 10 | 0.1 | 101 | CCF | - |
| Soc. de Ciments Français §¶‡ | 350 | 1996 | 10 | 6½ | 100 | Banque Paribas | 6.500 |
| **DANISH KRONER** | | | | | | | |
| Statoil ‡ | 400 | 1996 | 10 | 8⅞ | 100 | Copenhagen Handelsbank | 8.875 |
| **LIRE** | | | | | | | |
| AT&T | 100bn | 1993 | 7 | 10¼ | • | Instituto Banc. San Paulo | • |
| **YEN** | | | | | | | |
| Bank of Tokyo ‡ | 15bn | 1993 | 7 | 5⅛ | 100¾ | Bank of Tokyo Int. | 5.981 |
| Autopistas del Atlantico **‡ | 7.5bn | 1996 | 10 | 6.1 | 100 | Nippon Credit Bank | 6.100 |
| Swedish Export Credit ‡ | 10bn | 1991 | 5 | 8 | 101¼ | Daiwa Europe | - |
| Swedish Export Credit ‡ | 10bn | 1991 | 0 | 8 | 101¼ | Daiwa Europe | - |
| Citicorp ‡ | 20bn | 1993 | 7 | 6¼ | 101¾ | Citicorp Inv. Bank | 6.004 |
| Genst of Canada (k)‡ | 9.2bn | 1996 | 10 | 8–10½ | 101¼ | ITCB | - |

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. (a) Libor+8 basis points. (b) ¹⁄₁₆ over 3m Libor. (c) ³⁄₁₆ over 3m Limean. (d) ⅛ over 6m Libor. (e) 15bp over 6m Libor. (f) Margin over medium-term state notes with fixed-rate option. (g) Deferred coupon. (h) 10bp over 3m Libor. (i) 295bp over 6m Libor, after 1 year. (j) ¹⁄₁₆ over 3m Libor. (k) Dual currency. (l) Additional Finnish markka 125m in Finnish market. Note: Yields are calculated on AIBD basis.

# UK COMPANY NEWS

## Second half downturn leaves Somic profits little changed

Somic, kraft paper spinner and weaver, reported little changed pre-tax profits of £99,500 for the year ended March 31 1986, against £100,000 previously. At halfway taxable figures were up from £11,000 to £53,000.

The directors are confident that underlying trends remain good and that progress will be maintained during the current year.

The final dividend is 1.5p for a net total of 2p (1.5p). Earnings per 25p share were 3.532p (4.047p) pre-extraordinary items and 1.298p (nil) after.

Turnover came to £3.28m (£8.06m). Tax was £28,500 (£19,00) and there were extraordinary debits of £45,000 (£81,000).

The Baronet Motor Accessories subsidiary has, as forecast, incurred initial costs, and achieved a lower level of sales than was budgeted. These factors led to a trading loss of £33,682 which was increased to £78,367 with acquisition and other setting up costs.

Sales are still below target, but it is expected that a large order will be confirmed within the next few weeks and will result in BMA making a contribution by the end of the current year.

Exports have continued to be an important feature of sales. Fabric sales to the Middle East have improved although the reluctance of countries in this area to trade in sterling has led to exchange losses. A stronger pound reduced margins in these markets.

For the current year difficulties are expected in some export markets. Both the Middle East and the Caribbean are suffering from economic problems and customers are experiencing delays in obtaining import licences and foreign currency.

Recent developments both in products and markets are making an increased contribution and sales of edhesive coated knit and products from the plastic coating department are doing well. Further developments are under consideration.

Income fro mthe company's property investment show an improvement following rent reviews and successful negotiations of a new lease.

### Morgan Crucible

Pre-tax profits for the first quarter at Morgan Crucible were higher than last year, Sir James Spooner, chairman, told the annual meeting. He added that order levels in most parts of the group were good and prospects for the rest of the year were encouraging.

The merging of First Castle Electronics and Morgan Electronics was proceeding well as was the assimilation of Duramics (US) into the ceramics division.

### Hillsdown purchase

Hillsdown Holdings, the fast growing food and furnishing manufacturer, has bought Sterling-Wydgate, maker of dog meal biscuits, in a deal worth up to £4.37m.

Sterling's net asset value amounted to £1.2m at September 30 1985. Hillsdown has been given a warranty that pre-tax profits for the year to this September will be not less than £700,000.

Hillsdown said £1m of the cash consideration has been deferred, with payment conditional on the pre-tax profits figure being attained.

### Burgess Products

Burgess Products has agreed to purchase the 10 per cent minority interest in its German subsidiary, Burgess GmbH, for 32,735 Burgess ordinary shares.

### John Swan

John Swan & Sons, livestock auctioneer and estate agent, is holding its dividend at 8.5p net per share for the year ended April 30 1986, from reduced earnings of 12p, compared with 12.9p.

Turnover moved up to £1m (£980,000) but the profit fell to £119,000 (£134,000) and the pre-tax balance to £123,000 (£139,000). Tax charge is £42,000 (£52,000).

### Amersham

Amersham International is buying the radiation products division of Tech/Ops Inc of the US. With the division's sales of about $5m from making gamma radiography sources, Amersham says the value of the transaction is not material to its total assets and does not expect there will be any significant profit contribution in the present year.















## Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane, London EC3R 8BP

| Capitalisatn. | Company | Prk. | Change | Gross | Yield | | Fully |
|---|---|---|---|---|---|---|---|
| 4,415 | Ass. Brit. Ind. Ord. | 131 | | | | | |
| — | Ass. Brit. Ind. CULS. | 131xd | [illegible] | [illegible] | [illegible] | | |
| 7,236 | Airsprung Group | 125 | +5 | [illegible] | 5.7 | [illegible] | [illegible] |
| 700 | Armitage and Rhodes | 28 | −1 | 4.3 | 15.4 | 3.5 | 4.2 |
| 57,468 | Bardon Hill | 179 | +1 | 4.0 | 2.2 | 22.7 | 23.9 |
| 4,136 | Bray Technologies | 75 | +4 | 4.3 | 8.7 | 8.9 | 8.1 |
| 260 | CCL Ordinary | 80 | — | 2.9 | 3.6 | 5.7 | 9.8 |
| 1,075 | CCL 11pc Conv. Pref. | 86xd | −7 | 15.7 | 18.3 | — | — |
| 9,538 | Carborundum Ord. | 164 | +4 | 9.1 | 5.5 | 7.9 | 8.1 |
| 616 | Carborundum 7.5pc Pf. | 88xd | −4 | 10.7 | 12.2 | — | — |
| 4,383 | Deborah Services | 56 | — | 7.0 | 12.5 | 5.8 | 7.7 |
| 3,323 | Frederick Parker Group | 23 | — | — | — | — | — |
| 2,030 | George Blair | 110 | — | — | — | 4.5 | 8.1 |
| 2,437 | Ind. Precision Castings | 60 | +2 | 3.0 | 5.0 | 15.8 | 13.2 |
| 12,687 | Isis Group | 158 | — | 15.0 | [illegible] | 12.2 | 18.2 |
| 6,145 | Jackson Group | 118xd | −2 | 6.1 | 5.2 | 8.0 | 7.2 |
| 48,185 | James Burrough | 345 | +16 | 15.0 | 4.3 | 10.9 | 10.9 |
| 3,457 | James Burrough 8pc Pf | 99 | — | 12.9 | 13.0 | — | — |
| 5,940 | John Howard and Co. | 57xd | — | 5.0 | 8.8 | — | — |
| 45,468 | Minihouse Holding NV | 1390 | −10 | 8.7 | 0.6 | 45.8 | 54.3 |
| 6,740 | Record Ridgway Ord. | 380 | — | — | — | 6.8 | 11.7 |
| 2,403 | Record Ridgway 10pcPf | 88xd | −8 | 14.1 | 16.6 | — | — |
| 714 | Robert Jenkins | 70 | −1 | — | — | 9.1 | 20.0 |
| 1,800 | Scruttons "A" | 30 | — | — | — | — | 7.7 |
| 1,865 | Torday and Carlisle | 76 | +3 | 6.7 | 7.5 | 4.8 | 4.7 |
| 1,450 | Travian Holdings | 320 | — | 7.8 | 2.5 | 6.7 | 8.8 |
| 8,792 | Unilock Holdings | 66s | +1 | 2.1 | 3.8 | 15.2 | 14.9 |
| 21,808 | Walter Alexander | 169 | — | 8.6 | 5.1 | 9.6 | 11.7 |
| 4,434 | W. S. Yeates | 190 | — | 17.4 | 9.2 | 19.0 | 21.1 |

s=Suspended

# UK COMPANY NEWS

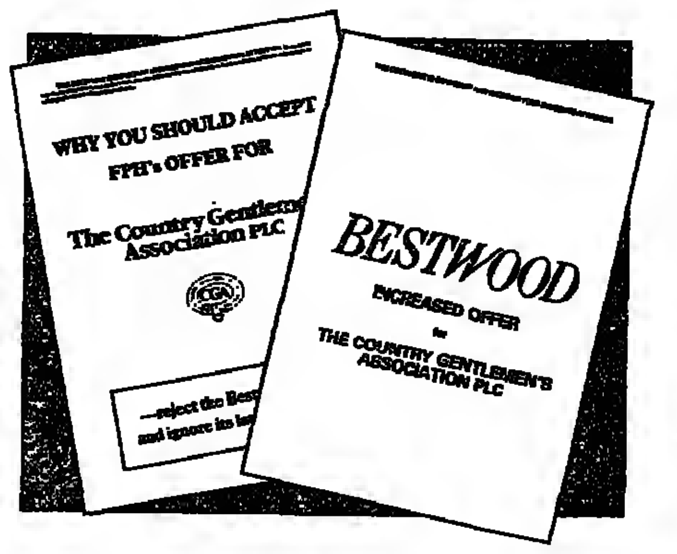
Martin Dickson looks at the contest for control of CGA

## Draw of the country

ONE OF the more curious yet contentious takeover battles of recent months will reach a climax tomorrow when two rival, neck-to-neck hidders, will discover whether either of them bas won control of the Country Gentlemen's Association.

The CGA may be quaintly named, and some of the services it offers its members may smack of a more relaxed, agrarian era, but the ferocity of tho £10m takeover battle demonstrates that it has some valuable assets, in particular 27,000 members drawn from the top strata of society.

The CGA's free monthly magazine, Country, gives some flavour of their interests. The latest issue includes articles on the history of the Fortnum & Mason picnic hamper, and on the advantages of sub-dividing stately homes for multi-occupation.




Thore is also a special discount offer on extendable aluminium ladders suitable for "the annual task of repair, renovation and decoration which is historically the lot of the property owner."

"The members are everything from the impoverished wellhred to the very rich hut hairyheeled," says Mr Peter Earls, the CGA's 62-year-old clsirman, who has been with the organisation since the early 1950s.

And that base is highly attractive to two small but ambitious companies wishing to build up niche financial service businesses, with a strong private client bias.

On the one side is Bestwood, a quoted industrial, property and financial services group with interests including Atlanta Investment Trust. It is beaded hy Mr Tony Cole, who made a first, unsuccessful tilt at the CGA in 1984.

He was frustrated by a notably White Knight: Lord Tanlaw, a liberal peer and member of the Inchacape family, whose settlement snapped up 24 per cent of the Association. But after quitting the CGA board this January, Lord Tanlaw decided to back a fresh bid from Mr Cole.

On the other side is Fredericks Place Group, an unquoted financial services concern which used to be known as Hill Woolgar, the issuing house which specialises in raising funds for smaller companiea. It recently took over Spencer Thornton, the stockhroker with 4,500 private clients.

Fredericks Place is headed hy Mr Stuart Goldsmith, formerly of Britannia Arrow Holdinga, where he built up an Investment management division. Fredericks Place slapped in a rival bid which bas won the recommendation of the CGA board.

But with each side claiming valid acceptances for 45 per cent of the equity, and more ln the pipeline, the contest could easily eod in a stalemate, and this might open the way for yet another hid hy a third party.

The hattle has produced some dark—but unproven—allegations of concert parties buying rival shares in an attempt to clinch victory. CGA shares, which stood at less than £8 before the hattle, have soared to £22, far above the valne of the two offors, which in any case would give shareholders an exit p/e of around 60.

The suhject of all this attention began life in the late 19th century as a kind of cut-price gentlemen's co-operate—buying beavy supplies such as fertiliser and fencing for the landed gentry.

Up to the 1970s its main activity remained that of an npmarket mail order house, delivering everything from toilet paper to garden tools to the stately (and not so stately) homes of Britain. The advent of rival discount businesses has reduced that to a very limited (and last year loss-making) operstion—though it does at least maintain a decent wine cluh.

The place of the mail order husiness has been taken by a profitahle financial services business, which emerged gradually over the years out of a land agency section.

Its most profitable husiness is insurance broking (with a client base extending beyond CGA members). Other services include investment management, taxation and accounting advice.

Since 1913, the CGA has beeo based in a purpose-built mock tudor mansion in Letchworth, Hertfordshire, though its membership is concentrated mostly in Kent, Surrey, Sussex and Hampshire. It also has a network of 10 branch offices across the country, dealing with insurance and professional services, which Fredericks Place and Bestwood see as a useful base for geographical expansion.

The profits generated by all this bave been neither large nor consistent. "They have had a rather ridge and furrow profile,' says Mr Earle, with an appropriately rural turn of phrase. "wohhling around the £½m mark." Pre-tax profits in the year to March have been estimated at not less than £260.000

Fredericks Place and Bestwood have similar plans for the association, should they win control, using it as a ready made network to offer a variety of services to well-healed clients

However, Mr Goldsmith stresses that the CGA should not be used for hard selling other products. "This is a very conservative client base, which values the service it gets. The last thing members will want is dramatic changes."

Eacb side argues that it will be able to offer the CGA a superior range of services, with Beestwood stressing lts investment trust and Fredericks Place its broking.

The Fredericks Place offer is worth £12.14 for each CGA share, against Bestwood's £13.88. But with control of the shares so evenly divided, tomorrow might see a draw, with neither side free to bid again for 12 months.

## SHARE STAKES

Changes in company sbare stakes over the past week include:

**A. and J. Mncklow Group** — A. J. Mucklow, director, through Anadius Investments, disposed of 200,000 ordinary at 103p and now holds 3,263,391 (6.2452 per cent). G. C. Evans, director, acquired 15,000 through exercise of options at 84p and now holds 96,404 sbares (0.1864 per cent).

**Guinness Peat Gronp** — B. A. Ursell, director, disposed of an interest in 37,262 fully paid shares at 91p. He continnes to hold 1,000 ordinary and options to subscribe for a further 311,738 such shares.

**Infrared Associates**—Director, I. Kudman, disposed of 132,000 ordinary shares at 91 25/32p and now holds 1,451,000 (22.1 per cent). Director, H. Kudman, disposed of 132,000 ordinary shares at 91 25/32p and now holds 1,451,000 (22.1 per cent). Director, V. Below, disposed of 66,000 ordinary shares at 91 25/32p and now holds 725,500 (11 per cent).

## GrandMet rejecting US offer for hotels

By Terry Povey

Grand Metropolitan is set to reject an $900m (£592m) offer for its hotels division, said recently knighted Stanley Grinstead, gronp chairman, yesterday. The offer has been made by Trafalgar Holdings, the Los Angeles-based finance house headed by Mr Charles Knapp.

According to the chairman, who has been meeting City institutions over the last week to answer criticisms of Grand Met's recent lacklustre performance, "the offer came ont of the hlne, we have considered it and the answer Is that the hotels are not for sale."

For several weeks there has been market speculation of a btd aproach for the whole group but he said that no offer bad been received.

Trafalgar Hotdings is the main vehicle used by the controversial Mr Knapp in several recent hids. Trafalgar was formed hy Mr Knapp after he was dismissed as chairman of Financial Corporation of America in September 1984.

FCA was obliged by the regulatory anthorities to reveal a $107m loss in one quarter as opposed to an initially reported net income of $31m.

The 96-hotel Intercontinental Hotel chain is the smallest in sales terms of Grand Met's six divisions and In 1985 contributed £37.6m to the group's £453.6m trading profit total. Among the hotels owned by the group are the Mayfair in Londan and the Carlton, Cannes.

With most of its fully-owned hotels situated in Europe, Intercontinental has clearly been suffering from the fall-off in American tourists and unusually is now offering peak season discounts to shareholders. As of the year end, Grand Met had £560m invested in its hotels. According to the chairman: "We regard the hotel sector as a very good long-term investmen and have 10 new openings scheduled for this year."

## Pickwick equity sale as step towards SE listing

Pickwick Records, the privately-owned distributor of budget-priced records, cassettes and compact discs, has sold 50 per cent of its equity to a consortium of investors as a step towards seeking a stock market quotation.

Mr Monty Lewis, the company's 65-year-old chairman and founder, bas sold 44 per cent of the equity to a group of institutions led by Rothschild Ventures. Other members of the consortium include Midland Bank Equity, Warburg, Charterbouse Development, Citicorp, Fountain Development (Hill Samuel) and Hanover Acceptances.

The institutions were introduced to Pickwick hy Mr Ivor Schlosberg, tho former chairman and chief executive of the RPM Record Group of South Africa, who has 15 years' experience in the industry. Mr Schlosberg, 39, ls taking 6 per cent of the equity and becomes joint managing director with Mr Lewis.

The deal puts a value on the company of about £9m. It is seen as a preliminary step before a listing at a market capitalisation of about £20m to £30m, prohahly next year.

Pickwick was founded in 1958 and is now a major distrihutor of records and cassettes. It sells to record shops, supermarkets and chain stores throughout Britain.

Its main activity is licensing back-catalogue pop and classical material from record companies and repackaging them under its own lahel for sale at a hudget price. It has also successfully developed a range of pre-recorded songs and stories for children.

More recently, Pickwick has gone into the compact disc market and is heavily under-cutting its rivals hy offering discs at £7.99 instead of the usual price of £11.99 to £12.99. It produces its own digital recordings of classical works by leading orchestras and uses other companies' manufacturing capacity, hut accepts a lower margin on the selling price than its rivals.

The company sold 17.5m records and cassettes last year and profits are targeted to douhle this year to £1.6m on turnover of £17m.

turnover of £17m. Growth has heen accelerated hy tha venture into compact discs and hy expansion into North America, Australia and New Zealand, where Pickwick has begun to licence other record companies to produce and sell lts recordings.

## BOARD MEETINGS

TODAY

*Interims:*— *Carroll Industries, Flexello Castors and Wheels, Guinness, Lenecn Scottish Finance.*

Finals:— Amersham International, CML Microsystems, Chamberlain Phipps, EMAP, Erskine House, Hazlewood Feeds, Lance, Lynton, Marshalls Halifax, Scott Greenham, Unigate, Yellowhammer.

FUTURE DATES

| Interims:— | |
|---|---|
| Daily Mail and General Trust | July 10 |
| Evode | July 14 |
| KLP Group | June 24 |
| Finals:— | |
| British Land | June 19 |
| Broosmount | June 24 |
| Brown and Tawse | June 23 |
| Electronic Rentals | July 7 |
| Illingworth Morris | June 23 |
| Sytrong | June 25 |
| Volex | June 23 |

## African Lakes runs into the red but confident

African Lakes Corporation bas run into a loss, following reduced profits in Malawi, a substantial deficit on mining and engineering in Zimbabwe, and higher losses in Ethiopia.

Turnover rose substantially from £6.58m to £12m in the half year ended January 31 1986, but there was a turnround from a profit of £365,000 to a loss of £348,000 at the operating stage. The pre-tax loss came to £333,000 (profit £383,000).

As regards the outcome for the current period—which will run for 14 months to September 30 1986 — the directors say it is impossible to forecast, but over the longer term they are confident.

John Butt Automobiles made a useful contribution to the UK operating results.

The Malawi operatioos were hit hy low tea prices and poor trading results, together with the continuing devaluation of the kwacba. The second balf should be bettor as initial tobacco auction prices are encouraging and there will he a larger coffee crop and increased rubber production.

In Zimbabwe, development and operational costs at the Globe & Phoenix mine continued to exceed income, and negotiations to sell it continue.

After tax £16,000 (£72,000) and minorities £21,000 (£128,000), the balftime attrihutable profit works through at £328,000 (profit £183,000), equal to 5.94p (3.32p) per share.

## Standard's bid defence ready by weekend

Standard Chartered Bank is expected to issue its defence document hy tho end of this week outlining its objections to the £1.2bn takeover bid from Lloyds Bank.

Advisers to Standard Chartered, merchant bank J Henry Schroder Wagg, were yesterday working on the preparation of the document which is expected to show a dividend forecast. Because of currency fluctuations, however, a profit forecast for the year is not expected.

There have been over the past few weeks a series of approaches from a number of parties. But "Standard Chartered is oot seeking a white Knight," said Mr Nicholas Jones of Scbroder Wagg.

## Capel and Paribas in arbitrage fund launch

By Philip Coggan

James Capel and Banque Paribas bave launched a new sterling market arbitrage fund, Paribas Concorde Trust. The fund will mainly invest in US-traded securities and will aim to exploit pricing anomalies, in particular where companies are involved in takeovers or reorganisation.

Investment risk will be limited by the use of traded options and currency swaps will he used to reduce the impact of exchange rate movements.

Debenture stock with the nominal value of £100m and 2.5m ordinary shares, at a price of 100p each, have been placed, giving the fund a capitalisation of £125m. The former will be listed on Tbe Stock Exchange but the latter will not.

The five-year stock will carry a coupon of 9.364 per cent on a price of £97.50, giving it a redemption yield of 10.007 per cent, a spread of 100 basis points over equivalent gilts.

Paribas Corporation (Bahamas) will manage the fund on a day-to-day basis and Paribas North America has subscribed to £25m of deferred ordinary shares and unsecured loan stock on terms which provide income and capital cover for the debenture stock.

**LADBROKE INDEX**
1,317-1,323 (+7)
Based on FT Index
Tel: 01-427 4411

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected ln the next few weeks are giveo in the following tahle. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| Abbey Life | July 18 | Interim due |
| Allied Colloids | June 27 | Final 1.8 |
| *Amersham Intl | June 16 | Final 3.8 |
| *Argyll Group | June 24 | Final 4.15 |
| *Assoc Newspapers | July 9 | Interim 5.5 |
| *Avana | June 23 | Final 8.75 |
| *BPB Inds | June 26 | Final 4.6 |
| BET | July 18 | Final 11.25 |
| BTP | June 18 | Final 2.3 |
| *British Land | June 18 | Final 1.75 |
| *British Telecom | June 16 | Final 3.9 |
| Britoil | July 12 | Interim 3.3 |
| *Cable and Wireless | June 25 | Final 4.9 |
| *Cape Industs | June 17 | Final nil |
| Centrovincial Estates | June 18 | Final 3.0 |
| Charter Consolidated | July 17 | Final 7.25 |
| *Daily Mail & Gen Tst | July 10 | Interim 15.5 |
| Davy | July 18 | Final 2.585 |
| *Dawson Intl | June 18 | Final 5.8 |
| *EMAP | June 18 | Final 2.08 |
| *Electronic Rentals | July 7 | Final 2.065 |
| *Ferranti | July 1 | Final 1.04 |
| Fitch Lovell | June 20 | Final 8.7 |
| GEC | July 2 | Final 2.65 |
| *GEI | June 17 | Final 3.91 |
| Gestetner | July 18 | Interim 0.5 |
| Oranede | July 11 | Interim 2.53 |
| Great Univ Stores | July 18 | Final 11.75 |
| *Hazlewood Foods | June 18 | †Final 11.429 |
| IC Gas | June 27 | Final 9.25 |
| Intnl Leisure | July 6 | Final due |
| *London Intl | June 19 | Final 2.6 |
| *Lond Scottish Finance | June 18 | Interim 0.9 |
| Lonrho | July 18 | Final 4.0 |
| Magnet & Southerns | July 10 | Final 2.7 |
| Mercury Secs | June 25 | Final 16.0 |
| *Meyer Intl | June 17 | Final 3.45 |
| *Mitchell Somers | June 19 | Final 1.75 |
| *Northern Foods | July 1 | Final 3 |
| *Racal Electronics | June 23 | Final 2.268 |
| Rank Organisation | July 11 | Interim 5.5 |
| Rothschild (J) | July 1 | Final 1.2 |
| *Scottish and Newcastle | July 1 | Final 4.19 |
| Thorn EMI | July 5 | Final 12.5 |
| Trusthouse Forte | June 27 | Interim 1.27 |
| *Unigate | June 18 | Final 5.2 |
| Union Discount | June 17 | Interim 11.0 |
| Vantona Viyella | July 10 | Interim 4.0 |
| *Whitecroft | June 23 | Final 5.4 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.















## FINANCIAL TIMES STOCK INDICES

| | June 13 | June 12 | June 11 | June 10 | June 6 | June 6 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 81.07 | 90.63 | 90.88 | 81.41 | 82.21 | 81.88 | 94.51 | 80.38 | 127.4 | 49.18 |
| Fixed Interest | 66.62 | 86.64 | 96.57 | 97.18 | 67.08 | 97.06 | 97.51 | 86.55 | 150.4 | 50.53 |
| Ordinary | 1313.7 | 1304.1 | 1301.1 | 1314.4 | 1389.5 | 1336.9 | 1425.9 | 1094.3 | 1485.0 | 40.4 |
| Gold Mines | 194.4 | 198.5 | 199.6 | 208.0 | 808.7 | 213.5 | 357.0 | 192.5 | 754.7 | 43.5 |
| FT Act All Share | 781.85 | 778.50 | 777.60 | 785.22 | 762.66 | 784.30 | 832.38 | 664.48 | 838.38 | 61.02 |
| FS.SE100 | 1582.4 | 1571.8 | 1671.4 | 1586.4 | 1604.8 | 1611.0 | 1717.6 | 1370.1 | 1717.6 | 986.2 |

sale as listing

MEETINGS

DIVIDENDS

Standard's ... defence read... by weekend

## LONDON RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

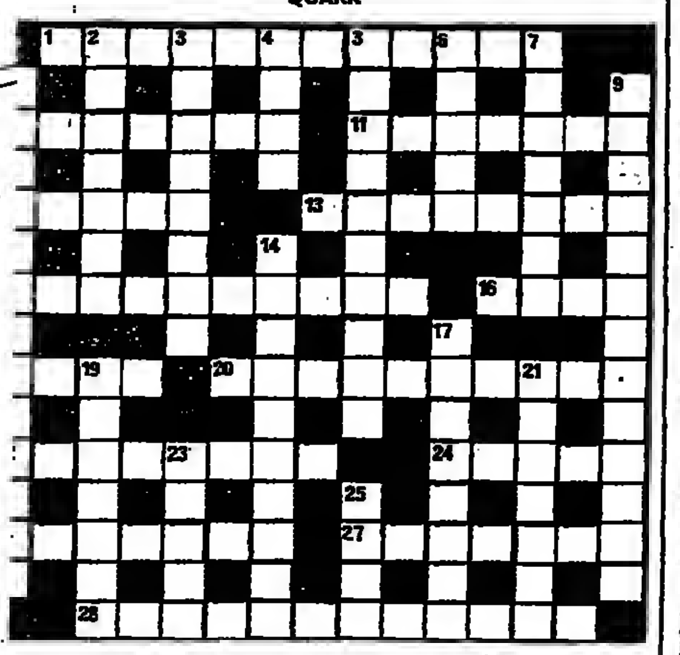
[illegible]

[illegible] Forecast dividend cover on earnings updated by latest interim statement. ‖ Dividend and Yield based on prospectus or other official estimates for 1987. [illegible] Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. [illegible] issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. [illegible] Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. [illegible] Allotment price. ✣ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ψ Dealt in under 535 (4) (a) †† Official London listing.



## FT CROSSWORD PUZZLE NO 6,048

QUARK



**ACROSS**

Ed Morgan (Mass.) could be an old painter (7, 5)
Traversed Nile to opening—mainly to cheer up (7)
Confused Mac with hard currency? (7)
The symbol set in pitch is a beast (5)
Alps oddly-shaped by fog referred to in the bible (8)
He was associated with early lines (10)
Letters returned to gratify (4)
One subtracted from seven would be (4)
Union in a get-together providing the instrument (10)
Haiti tan worn out in the S. Pacific? (8)
Kind of sleeve soldier had (5)
Short direction: "Metal source in mostly filthy surroundings" (2-4)
Board 15's mode of transport? (7)
Instrumental in filling Festival Hall on a large scale? (7, 5)

**DOWN**

2 Spare the French in difficulties, a set-back (7)
3 See 9.
4 Money plant (4)
5 Ability to make money like a king? (5, 5)
6 See 9
7 Foreign statesman sometimes seen before camera (7)
8 See 9
9 8 3 23 6 25 Suitable setting for RK's words. No detente? (4, 2, 4, 3, 4, 2, 4, 8, 5, 8, 5, 5, 4)
14 "Boat? It lent precariously" (War announcement) (4, 6)
17 There's comparatively more light from the more able (8)
19 Some set her ices in the fridge. Heavenly! (7)
21 Deeply fix in corn, etc (7)
23 See 9
25 See 9

The solution to last Saturday's prize puzzle will be published with names of winners next

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

# AUTHORISED UNIT TRUSTS & INSURANCES

**Wardley Unit Trust Managers Ltd (a)**
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

| | | | | |
|---|---|---|---|---|
| American Tst. | 66.1 | 70.0xd | +0.3 | 1.6 |
| Far East & Gn. Tst. | 89.3 | 95.0 | +1.2 | 1.8 |
| Intl. Growth Tst. | 67.2 | 71.5xd | +0.6 | 0.8 |
| Income Tst. | 78.2 | 84.0 | ... | 5.6 |
| Japan Growth Tst. | 107.6 | 116.0 | +0.7 | 0.2 |
| Small Cos. Tst. | 115.9 | 124.7 | ... | 1.9 |
| Tchnlgy Tst. | 34.2 | 36.7xd | | 0.2 |
| Australia Trust | 42.4 | 46.1 | +0.6 | 1.0 |
| UK Trust | 126.4 | 134.5xd | | 2.8 |
| European Growth Tst | 48.5 | 51.6 | +0.2 | 1.2 |
| Hong Kong Tst. | 20.4 | 21.7 | +0.4 | 1.5 |

**Waverley Asset Management Ltd (a) (c) (g)**
13 Charlotte Sq, Edinburgh 031-225 1551

| | | | | |
|---|---|---|---|---|
| Australasian Gold | 15.9 | 77.0 | - | 0.13 |
| Pacific Basin Energy | 14.4 | 15.3 | - | 0.2 |
| Canadian Balncd Growth | 60.2 | 64.3 | - | 0.71 |
| Gimie Mar | 98.4 | 103.5 | ... | 0.0 |

**WestAvon Unit Trust Managers Ltd(a)(e)**
9 Portland Square, Bristol BS2 8SS 0272 428431

| | | | | |
|---|---|---|---|---|
| British Smllr Co's (z) | 54.8 | 56.4 | -0.2 | 1.75 |
| British Growth (z) | 63.6 | 65.4 | -0.2 | 1.75 |
| British Income (z) | 62.8 | 64.6 | -0.2 | 4.50 |
| British Extra Yield(z) | 50.9 | 52.4 | -0.2 | 6.50 |

**Whittingdale Unit Trust Managers**
2 Honey Lane, London EC2V 8BT 01-606 9085/6

| | | | | |
|---|---|---|---|---|
| Short Drd Gilt Fd | 67.2 | 68.3 | +0.1 | 0.99 |
| U.S. Govmt Bond F. | 50.499 | 0.502 | +0.001 | — |

**Windsor Trust Mngrs Ltd**
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Capital & Equity Tst | 48.7 | 51.9 | +0.2 | 77.48 |
| Growth Trust | 50.5 | 53.8 | -0.3 | 2.28 |
| Income Trust | 54.0 | 57.5 | +0.3 | 5.09 |

**Wright Seligman Fund Managers Ltd**
21 Blomfield St, London EC2M 7AT 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 67.8 | 71.3xd | ... | 1.96 |

Weekly dealing day Tuesday

**The Yorkshire General Trust**
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

| | | | | |
|---|---|---|---|---|
| Y G T. | 117.5 | 125.0xd | — | 3.55 |

**Cannon Assurance Ltd—Continued**

| | | | | |
|---|---|---|---|---|
| Index | 114.8 | 121.5 | -0.6 | — |
| Far East | 161.7 | 171.1 | +1.4 | — |
| Global | 94.5 | 100.0 | | — |
| European | 95.3 | 100.8 | +0.2 | — |
| Japan | 97.2 | 102.9 | +0.5 | — |
| **2nd Series Pension Accumulation** | | | | |
| Equity | 476.6 | 504.3 | +1.2 | — |
| High Income | 314.6 | 333.1 | +0.6 | — |
| Property | 276.8 | 292.9 | | — |
| Managed | 330.2 | 349.4 | +1.6 | — |
| Deposit | 247.7 | 262.1 | | — |
| Gilt | 256.1 | 271.0 | -0.3 | — |
| American | 379.8 | 401.9 | +5.1 | — |
| International Money | 257.8 | 267.5 | +1.3 | — |
| Index | 125.5 | 132.8 | -0.6 | — |
| Far East | 174.2 | 190.3 | +1.7 | — |
| Global | 94.5 | 100.0 | | — |
| European | 95.5 | 101.1 | +0.3 | — |
| Japan | 97.9 | 103.6 | +0.6 | — |
| **Other Funds** | | | | |
| Equity Units | | 64.77 | +0.36 | — |
| Property Units | | 21.10 | | — |
| Equity Bond/Exec | 40.52 | 42.66 | +0.10 | — |
| Property Bond/Exec | 28.45 | 30.11 | | — |
| Balanced Bond/Exec | 32.76 | 34.67 | +0.12 | — |
| L&E SIF 1 | 107.0 | 113.0 | +0.5 | — |
| L&E SIF 2 | 70.0 | 74.5 | +0.5 | — |

**Chase de Vere Investments Ltd**
63 Lincoln's Inn Fields, London WC2. 01-404 5766

| | | | | |
|---|---|---|---|---|
| Portfolio Mngt Service | 129.4 | 136.0 | +1.9 | — |

**City of Edinburgh Life Assurance**
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

| | | | | |
|---|---|---|---|---|
| Ivory & Sime Bond | 98.0 | 104.0 | -2.0 | — |
| Risk & Reward Bond | 120.8 | 127.0 | ... | — |
| Murray Johnstone Fd | 116.0 | 123.0 | ... | — |
| Money Market Fd | 99.0 | 105.0 | | — |
| Ivory & Sime Pens Fd | 94.0 | 100.0 | | — |
| Risk & Reward Pens Fd | 102.0 | 108.0 | -1.0 | — |
| Murray J'stone Pens Fd | 114.0 | 120.0 | — | — |
| Money Market Pens Fd | 99.0 | 105.0 | — | — |

**City of Westminster Assurance**
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660000

| | | | | |
|---|---|---|---|---|
| **Current Series** | | | | |
| Property Fund | 111.8 | 117.7 | — | — |
| Money Fund | 218.2 | 229.1 | +0.1 | — |
| Managed Fund | 397.4 | 418.4 | +0.2 | — |
| Equity Fund | 247.9 | 261.4 | -0.4 | — |
| Fixed Interest Fund | 147.6 | 155.6 | +0.4 | — |
| Far East Fund | 179.6 | 189.1 | +0.3 | — |
| North American Fund | 189.4 | 199.4 | +0.9 | — |
| Natural Resources Fund | 129.9 | 136.8 | -1.4 | — |

**Eagle Star Insur./Midland Assur.**
1 Threadneedle St, London EC2

| | | |
|---|---|---|
| EagleMid. Units | 154.6 | |

**Equitable Life Assurance Society**
4 Coleman Street, London EC2R 5AP

| | |
|---|---|
| Far Eastern | 140.3 |
| Fd of Inv Tsts | 124.9 |
| Gilt & Fixed Int. | 116.6 |
| High Income | 146.0 |
| Intnl Growth | 95.0 |
| Managed | 124.8 |
| Money | 105.2 |
| North American | 116.2 |
| Pelican | 134.3 |
| Property | 105.5 |
| Special Sits | 142.7 |
| School Fee Managed | 134.5 |
| **Pension Funds** | |
| Far Eastern | 153.0 |
| Fd of Inc Tsts | 132.2 |
| Gilt & Fixed Int. | 122.0 |
| High Income | 162.5 |
| International Growth | 95.0 |
| Managed | 134.5 |
| Money | 112.5 |
| North American | 120.1 |
| Pelican | 143.2 |
| Property | 105.6 |
| Special Sit. | 156.8 |

**Equity & Law**
Amersham Road, High Wycombe

| | |
|---|---|
| UK Equities Fund | 414.9 |
| Higher Inc. Fund | 394.2 |
| Property Fund | 257.7 |
| Fixed Interest Fund | 239.9 |
| Index Linkd Secs Fund | 109.3 |
| Gtd. Deposit Fund | 172.0 |
| Nth American Fund | 244.3 |
| Far East Fund | 237.2 |
| Europe Fund | 196.1 |
| International Fund | 262.2 |
| Mixed Fund | 330.9 |
| Ind. Pen Equity (z) | 503.2 |
| Ind. Pen. High Inc.(z) | 113.9 |

# INSURANCES

# INSURANCE, OVERSEAS & MONEY FUNDS

### Brown Shipley Fund Mgmt (C?) Ltd
PO Box 583, St Helier, Jersey 0534 74777

| | | | | |
|---|---|---|---|---|
| Sterling Bd/D(Daily) | 11.00 | 11.40 | -0.04 | 9.36 |
| Sterling Cap (Daily) | 21.15 | 21.20 | — | — |
| Intl. Bond (Daily) | $13.84 | 14.61 | — | 6.09 |
| Int Currency (Wkly) | 1.26 | 1.35 | — | 4.04 |

### Butterfield Management Co Ltd
PO Box 195, Hamilton, Bermuda

| | | | | |
|---|---|---|---|---|
| Buttress Capital | $14.15 | | — | — |
| Buttress Equity Acc. | $7.40 | 7.73 | — | — |
| Buttress Inc Acc. | $4.54 | 4.69 | — | — |

### CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM 0624 20231

| | | | | |
|---|---|---|---|---|
| CAL C & C* | 39.2 | 41.3 | — | — |
| CAL Metals** | 17.9 | 18.8 | — | — |

*Dealings Monday. **Dealings daily

### CAL Investments (Bermuda) Ltd
PO Box 1022, Hamilton, Bermuda (809-29) 55950

| | | | | |
|---|---|---|---|---|
| CAL Futures Fund | 254.75 | 337.50 | — | — |

### Capital International
43 Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Capital Int. Fund | $58.16 | | — | — |

### Capital Preservation Fund Intl.
14 rue Aldringen, Luxembourg 1118

| | | | | |
|---|---|---|---|---|
| Cap Pres Fund | $12.10 | | — | — |

### Cater Allen Investment Management (CI)
29a Broad St, St Helier, Jersey, CI 0534 78898

| | | | | |
|---|---|---|---|---|
| CA Dollar Inc Fd | $10.51 | 10.96 | — | 7.74 |
| CA Glt Edg Fd | £13.74 | 13.80 | +0.10 | 10.14 |

### Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

| | | | | |
|---|---|---|---|---|
| Emperor Fund | $14.59 | 15.35 | — | 0.51 |

### Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4 01-623 4680

| | | | | |
|---|---|---|---|---|
| F&C Atlantic June 11 | $17.39 | | -0.29 | — |
| F&C European June 11 | $24.14 | | -0.20 | — |
| F&C Oriental June 11 | $44.27 | | +0.47 | — |

Weekly dealings

14 Mulcaster Street, St Helier, Jersey 0534 27471

Foreign & Colonial Reserve Asset Fund

| | | | |
|---|---|---|---|
| A—Short Term US$ | $10.28 | — | 6.42 |
| B—Short Term Multi'ncy | $12.66 | — | 7.20 |
| X—Short Term £ | £11.13 | — | 10.20 |
| C—US$ Bonds | £12.52 | — | 7.29 |
| D—Multic'ncy Bonds | $14.87 | — | 4.24 |
| E—Sterling Bonds | £11.60 | — | 9.02 |
| F—D Mark Bonds | DM12.40 | — | 5.04 |
| G—Yen Bonds | Y1,047 | — | 5.25 |
| H—Ecu Bonds | Ecu10.74 | — | 6.74 |
| M—US Equities | $11.25 | — | 3.91 |

### Formosa Fund
c/o Hoare Govett Asia Ltd, Heron Hse, 319-325 High Holborn WC1 01-404 0344
NAV NT$423.1. IDR value US$11,867.

### Framlington Overseas Fund Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481-26541

| | | | | |
|---|---|---|---|---|
| Far East Fund | 0.695 | 0.729 | — | — |
| Income & Growth | 0.660 | 0.694 | — | 3.21 |
| Managed Portfolio | 0.594 | 0.625 | +0.005 | 0.4 |

### Frankfurt Trust Investment—GmbH
Wiesenau 1, D-6000 Frankfurt

| | | | | |
|---|---|---|---|---|
| FT-Interzins | DM44.23 | 45.56 | +0.03 | — |
| Frankft. Effekt. Fd. | DM133.87 | 140.92 | +0.58 | — |

### Frobisher Fund Limited
PO Box HM1735, Hamilton, Bermuda 809 295 7447

| | | | | |
|---|---|---|---|---|
| NAV May 26 | $5.27 | 5.54 | — | — |

### GT Management (UK) Ltd
8th Floor, 8 Devonshire Sq, London EC2M 4YJ
Tel: 01-283 2575 Telex: 886100

[illegible]

## OFFSHORE AND OVERSEAS

[illegible]

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

[illegible]

### Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

| | | | | |
|---|---|---|---|---|
| Demand Acc. | 9.53 | 7.13 | 10.30 | Qr |
| Money Acc. | 9.72 | 7.27 | 10.52 | Qr |

### J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

| | | | | |
|---|---|---|---|---|
| Special Acc. | 9.25 | 6.91 | 10.04 | Mth |
| Over £10,000 | 9.50 | 7.10 | 10.34 | Mth |

### Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 24141

| | | | | |
|---|---|---|---|---|
| High Int.Chq Acc. | 9.87 | 7.38 | 10.67 | Qr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS
### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 18 |
| BAT | 38 | Midland Bk. | 44 |
| BOC Grp. | 32 | NEI | 12 |
| BSR | 14 | Nat West Bk. | 70 |
| BTR | 45 | P & O Dfd | 45 |
| Babcock | 20 | Plessey | 20 |
| Barclays | 45 | Polly Peck | 16 |
| Beecham | 32 | Racal Elect. | 17 |
| Blue Circle | 55 | RHM | 20 |
| Boots | 26 | Rank Org Ord | 48 |
| Bowaters | 30 | Reed Intnl | 75 |
| Brit Aerospace | 48 | Sears | 12 |
| Brit. Telecom | 17 | TI | 42 |
| Brown (J.) | 5 | Tesco | 30 |
| Burton Ord | 32 | Thorn EMI | 35 |
| Cadburys | 17 | Trust Houses | 12 |
| Charter Cons | 22 | Turner Newall | 15 |
| Comm Union | 28 | Unilever | 120 |
| Courtaulds | 26 | Vickers | 40 |
| Distillers | 52 | Wellcome | 19 |
| FNFC | 15 | **Property** | |
| Gen Accident | 75 | Brit Land | 16 |
| Gen Electric | 17 | Land Secs. | 30 |
| Glaxo | 100 | MEPC | 32 |
| Grand Met. | 34 | Peachey | 24 |
| GUS 'A' | 75 | Samuel Props | 18 |
| Guardian | 75 | **Oils** | |
| GKN | 32 | Brist. Oil & Min. | 2½ |
| Hanson Tst. | 16 | Brit Petroleum | 40 |
| Hawker Sidd. | 52 | Burmah Oil | 30 |
| ICI | 50 | Charterhall | 3 |
| "Imps" | 20 | Premier | 3½ |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 32 | Tricentrol | 15 |
| Legal & Gen | 79 | Ultramar | 18 |
| Lex Service | 38 | **Mines** | |
| Lloyds Bank | 55 | Cons Gold | 40 |
| Lucas Inds | 60 | Lonrho | 25 |
| | | RTZ | 50 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# LONDON SHARE SERVICE

## BRITISH FUNDS

| Interest Due | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|
| | **"Shorts" (Lives up to Five Years)** | | | | |
| 10 Jan 10 Jul | Treas 8½pc 1984-86‡‡ | 99⅞xd | 3.6 | — | — |
| 29 Apr 29 Oct | Exch 14pc 1986 | 101[illegible] | 24.3 | 13.79 | 9.40 |
| 21 May 21 Nov | Exch. 2½pc 1986 | 98[illegible] | 14.4 | 2.54 | 6.02 |
| 22 Jul 22 Jan | Exch 13¼pc 1987 | 102¼ | 16.17 | 12.96 | 9.26 |
| 10 Aug 10 Feb | Treas 10¼pcCv '87 | 100[illegible] | 6.1 | 10.19 | 9.27 |
| 24 Aug 24 Feb | Exch 2½pc 1987 | 97[illegible] | 20.1 | 2.56 | 6.22 |
| 6 Oct 6 Apr | Exch 10½pc 1987 | 100[illegible] | 3.3 | 10.40 | 9.20 |
| 1 Nov 1 May | Funding 6½pc '85-87‡‡ | 98[illegible] | 25.3 | 6.62 | 8.74 |
| 12 Dec 12 Jne | Treas 10pc 1987 | 100[illegible] | 5.5 | 9.83 | 9.05 |
| 14 Jan 14 Jly | Treas 3pc 1987 | 96[illegible]xd | 9.6 | 3.10 | 6.12 |
| 3 May 3 Nov | Treas. 12pc 1987 | 103[illegible] | 28.3 | 11.59 | 9.18 |
| 26 Jul 26 Jan | Treas 7¾pc 1985-88‡‡ | 98¼ | 20.12 | 7.85 | 8.58 |
| 10 Nov 10 May | Exch 10½pc '88 | 102⅝ | 3.4 | 10.23 | 8.95 |
| 14 Dec 14 Jne | Treas 9¼pc Cv '88 | 101⅛xd | 8.5 | 9.62 | 8.98 |
| 1 Jan 1 Jul | Transport 3pc '78-88 | 93½xd | 27.5 | 3.21 | 6.45 |
| 25 Apr 25 Oct | Treas 9½pc '88 | 100[illegible] | 19.3 | 9.42 | 9.05 |
| 22 Aug 22 Feb | Treas 11½pc 1989 | 105[illegible] | 16.1 | 10.87 | 8.99 |
| 18 Oct 18 Apr | Treas 9½pc Cnv. '89 | 101[illegible] | 12.3 | 9.35 | 8.64 |
| 15 Nov 15 May | Treas 5pc 1989 | 91[illegible] | 8.4 | 3.28 | 6.78 |
| 14 Dec 14 Jun | Treas 10½pc 1989 | 103[illegible]xd | 8.5 | 10.11 | 9.02 |
| 1 Feb 1 Aug | Exch 10pc 1989 | 102[illegible] | 27.12 | 9.76 | 9.09 |
| 29 Mar 29 Sep | Exch 11pc 1989 | 105[illegible] | 20.2 | 10.43 | 9.02 |
| 15 Apr 15 Oct | Treas 5pc 1986-89 | 92[illegible] | 10.3 | 5.38 | 7.44 |
| 15 May 15 Nov | Exch 10¼pcCv '89 | 105[illegible] | 8.4 | 9.65 | 8.20 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

### Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## AMERICANS—Cont.

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont.

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

## LEISURE—Continued

## PROPERTY—Continued

## INVESTMENT TRUSTS—Cont.

## FINANCE, LAND—Cont.

## MINES—Continued

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

### Finance, Land, etc

## OIL AND GAS

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

## INSURANCES

## LEISURE

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ⊕ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ? Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- K Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 120 | .... | Fin. 13% 97/02 | £121¼ | .... |
| Craig & Rose £1 | £13 | .... | Arnotts | 325 | .... |
| Finlay Pkg 5p | 43 | .... | CPI Hldgs | 48 | −2 |
| Holt (Jos) 25p | 810xd | .... | Carroll Inds | 135 | .... |
| IoM Stm. £1 | 87 | .... | Dublin Gas | 53 | .... |
| IRISH | | | Hall (R. & H.) | 77 | .... |
| | | | Heiton Hldgs. | 50 | .... |
| Fund 11¼% 1989 | £103¾ | −⅛ | Irish Ropes | 110 | .... |
| Nat. 9¾% 84/89 | £101 | .... | Unidare | 190 | .... |

"Recent Issues" and "Rights" Page 35
(International Edition Page 27)

# CONSTRUCTION CONTRACTS

## Minories office scheme

SIR ROBERT MCALPINE & SONS has been awarded a £23m contract by Guinness Peat Properties for the construction of Towergate, a 10-storey office development which will occupy part of the Minories car park site within the City.

Part of the Minories car park will be demolished to make way for the office block and, as part of the contract, the remainder will be completely refurbished to provide car parking for 400 vehicles.

The 10-storey office building, finished externally in granite will occupy around one-third of the total Minories site and will be adjacent to the Docklands Light Railway. Towergate Way Terminus which is due to open in July 1987.

The scheme will provide 16,000 sq metres of office space designed round an atrium and will he served by eight lifts. The ground and first floors have been designed specifically as dealing rooms and the upper floors as office areas of up m 1,400 sq metres. Work on the development is due for completion in October 1987.

*

WAITES CONSTRUCTION (LONDON) has secured orders valued in excess of £10m. The contracts inclnde private sector work for the Crosvenor Estate and public sector work for North East Thames Regional Health authority and London Electricity Board.

The largest of the contracts valued at £5m is for the Grosvenor Estate. Restoration of the two listed buildings at 46 and 50 Crosvenor Street, Mayfair, will provide office accommodation with a bigh standard of finishes. Work at the rear of the buildings includes the demolition and rebuilding of four upper storeys above a card room with a highly ornate ceiling which is to be retained. The contract also includes rebuilding behind a retained facade at 16-18 Mount Row.

A £4m contract at Rochford Hospital for NETRHA is for the construction of four blocks within the grounds of the hospital to provide a mental illness day bospital, facilities for the elderly and accommodation for geriatric

## Groundwork that made the Stockley Park project possible

RUBBISH IS a matter very close to the heart of Mr David Gordon, the Ove Arup director in charge of what he cheerfully describes as "Europe's biggest and cheapest civil engineering project," writes Joan Gray.

For Mr Gordon is in charge of the civil engineering works needed to transform 350 acres of poisoned derelict land two and a half miles from Heathrow Airport—worked-out gravel pits that have been used as a rubbish tip for the past 80 years—into a prestigious business park, international golf course and equestrian centre.

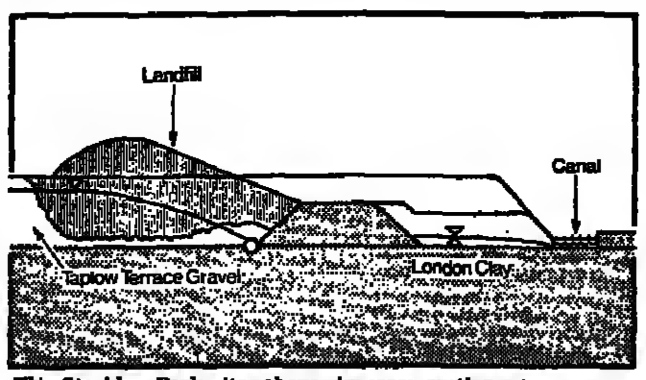
Readers of the FT's Arts page will already know about the elegant and orientally inspired architecture of Stockley Park. They will also know that thn Park was declared open by Prince Charles, who, as head of the Fountain Society, pressed a button to start an inaugural waterfall.

But what they will not know about is the immense feat of civil engineering required to make it possible—and financially workable.

For, as Mr Gordon explains, "what costs money on a site like this is the civil engineering works, which nobody can see.

"You can't save money on the landscaping and you can't save money on the building or you won't get the high rents needed to make it work.

"So yon havo to concentrate on doing the civil engineering as economically and efficlently as possible to make the rest of the project stack up."




The Stockley Park site, above, in cross section, showing me geological problems facing the contractors

Reclaiming Stockley Park involved shifting 100m cu ft (2.75m cu metres) of rubbish (enphemistically called landfill), and 45 cu ft (1.25m cu metres) of gravel and soil (or cleanfill).

All the rubbish was moved north to create the base for 260 acres of golf course and green land for riding: all the cleanfill was moved south tn create the base for a 90 acre business park.

"We decided not to put any rubbish under the business park for strictly commercial reasons, as the estate agent advised us that people worried about buildings on rubbish," said Mr Gordon.

Ove Arup could have spent £50m importing all the landfill instead of using rubbish from the site for the base of the golf course. And they could have spent another £10m importing cleanfill and another £5m importing topsoil instead of scavenging the site for suitable clean material and moving it where needed.

Instead, using soil and rubbish from the site cut the civil engineering cost tn £8m; and the cost nf landscaping and infrastructure services—including a new by-pass road—added another £20m, making the total cost of reclamatinn a workable £28m.

The £8m civil engineering works also included solving the problem of leaching: the waste from the site draining through tn the Grand Union canal bordering the site and poisoning it.

This problem was tackled by first building a retaining wall along the boundary of the site to reduce the amount of water entering it, and then putting a drain round the park to catch the remainder.

A pumping system was added to control the pressure in the drain so that the canal ran into it, and so prevent poisoned water running into the canal. The system of ornamental lakes helps control the water levels.

## Refurbishing overseas hotels

DAVID HICKS INTERNATIONAL has been awarded two contracts by the Okura Hotel Group with a total value of nearly £20m. DHI is to refurbish all guest rooms in both the Amsterdam and Tokyo botels. For the Okura Group flagship in Tokyo, the company has been contracted to refurbish all 1,000 guest rooms and eight suites over a period of two years. The contract is worth some £15m with a budget of £15,000 per guest room, excluding bathrooms. The five star Amsterdam Okura has a total project value of nearly £4.5m. DHI is to refurbish all guest rooms (over 400) over a period of three years—to be carried out in three phases during the off-peak season of November-March at a cost of around £10,000 per guest room.

*

ROADWORKS, civil engineering divisions of Jackson Group, has won the £5.6m Martlesham, Suffolk, by-pass contract. The scheme, designed by C. H. Dobbie and Partners for the Department of Transport, is a 2.9 km dual carriageway from the northern end of Ipswich by-pass rejoining the A12 north of the village of Martlesham. Structures include a pedestrian subway, a road bridge enabling the Bealings road to pass over the new by-pass, a bridge over the Ipswich to Yarmouth rail line and a river crossing. Work is due to start on July 1.

*

BOVIS CONSTRUCTION has been appointed as management contractor for a £5.5m factory to be built in Crantham for the Northern Foods Group. Construction on the 42 week "fast track" project is scheduled to begin in June 1986. Built to the very latest standards of "total hygiene," it is thought that the factory will eventually create some 400 extra jobs in the Crantham area.



# Week's business in parliament

**TODAY**

**Commons:** Until 7 pm, a debate on an Opposition *motion*: The crisis in big-city bospitals. Later, progress on the remaining stages of the European Communities (Amendment) Bill.

**Lords:** Parliamentary Constituencies Bill, Second Reading. Corneal Tissue Bill, Third Reading. British Shipbuilders (Borrowing Powers) Bill, Third Reading. *Agriculture Bill*, Committee. Road Traffic Regulations (Parking) Bill, Second Reading.

**Select Committees:** Public Accounts: Defence Ministry Service Movements. Witnesses: Sir Clive Whitmore and Mr A. M, Bailey (Room 16, 4.45 pm). Treasury and Civil Service: International Credit and Capital Markets. Witnesses: Treasury officials (Room 15, 4.45 pm).

**TOMORROW**

**Commons:** Opposition debate nu South Africa. Debate on EC document 9360/84, as amended by EC document 5752/86, relating tn proposals on the marketing and testing of medicinal products.

**Lords:** Forestry Bill, Committee. Safety at Sea Bill, Committee. Civil Protection in Peacetime Bill, Committee. Social Security Bill, Committee.

**WEDNESDAY**

**Commons:** Debate on foreign affairs, on a motion for the adjournment.

**Lords:** Debate on the case for greater public investment in housing. Debate on the need to protect the environment against current threats. Children and Young Persons (Amendment) Bill, Committee. Disabled Persons (Services, Compensation and Representation) Bill, Committee. Town and Country Planning (NIREX) Special Development Order 1986, Prayer to annul. Unstarred question on bealth and family planning in development areas.

**Select Committees:** Foreign Affairs: Overseas Development Administration bilateral country programme. Witness: Department of Trade and Industry officials (Room 16, 10.30 am). Welsh Affairs: The ambulance service in Wales. Witnesses: Welsh Office, Association of Welsh Health Authorities (*Room 18, 10.30 am*). Trade and Industry: British shipbuilding monitoring inquiry. Witnesses: Britisb Shipbuilders (Room 15, 10.45 am). Energy: Coal industry. Witness: HM Inspector of Mines (Room 8, 11 am).

Scottish Affairs: Hospital provision. Witness: Melville Dundas and Whitsun Ltd (Room 19, 11 am). Home Affairs: Rules for Redistribution of Seats. Witness: Boundary Commission of Scotland (Room 15, 4.15 pm). *Public Accounts*: Private patient charges. Witness: Mr L. H. Peach, acting chairman, National Health Service Management Board (Room 16, 4.15 pm). Transport: Finance of rail services. Witnesses: Strathclyde Regional Council. London Regional Transport (Room 17, 4.15 pm). Environment: Historic Buildings and Ancient Monuments. Witness: Church of England General Synod (Room 20, 4.30 pm).

**THURSDAY**

**Commons:** Motions on Northern Ireland Orders and Consolidation measures.

**Lords:** Armed Forces Bill, Third Reading. Agriculture Bill, Committee. Protection of Military Remains Bill, Third Reading. Protectiun of Children (Tobacco) Bill, Committee. Motions on Northeru Ireland. Orders on companies and business.

**Select Committee:** Agriculture: The effects of pesticides on human health. Witness: National Institute of Agricultural Engineering (Room 15, 10.45 am).

**FRIDAY**

**Commons:** Debate on the arts on a motion for the adjournment.

**Lords:** Building Societies Bill Second Reading.

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Centreway Inds. Midland Hotel, New Street, Birmingham, 3.00
Commercial Bank of Near East, 107-112 Leadenhall Street, EC, 11.00
Ecobric Hldgs, Regent Palace Hotel, Piccadilly Circus, W, 11.00
Hammerson Prop. 100 Park Lane, W, 12.00
Outwich Invest Trust, 6 Bishopsgate, EC, 2.30
Sunlight Service Group, Glaziers Hall, 9 Montague Close, SE, 11.00

BOARD MEETINGS—
Finals:
Amersham Intnl
CML Microsystems
Assoc Heat Services
British Land
Chloride
Mountview Estates
Stead and Simpson
Interims:
Lookers
Lovell (Y. J.)

DIVIDEND & INTEREST PAYMENTS—
British & American Film Hldgs 3.6p
Basket (S.) 0.8p
East Rand Gold and Uranium 15.5pcDbs 26.08383p
Industrial Credit and Invest Corpn of India Fltg Rate Notes 1991 $208.54
Lowland Invest 1.2p
Marine Midland Banks Fltg Rate Sub Notes $196.46

[illegible]



# BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

**Current**
Grosvenor House Antiques Fair (0799 26699) (*until June 21*) **Grosvenor House, W1**

**June 17-20**
Advanced Manufacturiog Technology Sbow MANUTECH (01-891 3426) **Olympia**

**June 23-26**
Institute of Leisure and Amenity *Management Conference and* Exhibition (0491 873555) **Harrogate**

**June 24-26**
Advanced Materials Conference and Exhibition (01-868 4466) **Wembley Conference Centre**

**Jnne 25-27**
Property and Construction Management Exhibition (01-995 8003) **Barbican Centre**

**July 1-5**
International Production Eogineering and Productivity Exhibition and Conference—PEP (01-891 5051) **Olympia**

**July 8-18**
International Satellite and Cable TV Exhibition and Conference—CABLE (01-868 4466) **Met. Exbn. Hall, Brighton**
Education, Training and Personnel Development Exhibition and Confereoce (01-637 2400) **NEC Birmingham**

**July 14-17**
International Water Exhibition and Conference — WORLD WATER (0923 778311) **Olympia**

**July 15-17**
Systems for the City Exhibition (01-868 4466) **Barbican Centre**

**July 16-18**
PC User Show and Conference (01-608 1161) **Olympia**

**July 20-24**
Cift Trade Fair (0282 867153) **Harrogate Exhibition Centre**

**July 24-27**
*Acorn Computer User Christmas* Show (01-349 4667) **Barbican Centre**

**July 29-August 3**
British Music Fair—MAKING MUSIC (01-385 1200) **Olympia**

## OVERSEAS TRADE FAIRS

**June 24-28**
Radio and TV Trade Fair (01-734 0543) **Frankfurt**

**July 7-11**
Interoational Powder Metallurgy Exhibition and Conference (01-493 3893) **Dusseldorf**

**July 21-24**
International Laboratory Equipment *Exhibition*—LABEX (021-705 6707) **Sydney**

**August 17-23**
City Planoing Exhibition (021-705 6707) **Xiamen**

**August 20-23**
Office Technology and Computer Exhibition (01-486 1951) **Kuala Lumpur**

**August 22-31**
International Trade Fair (Consumer goods)—INT SKANE-MASSAN *(01-486 1951)* **Malmo**

**August 26-28**
Finnish Fashion Fair (01-486 1951) **Helsinki**

**August 31-September 8**
Internatiooal Autumn Fair (01-240 7013) **Leipzig**

**September 17-24**
International Engineering Fair (021-455 9600) **Brno**

## BUSINESS AND MANAGEMENT CONFERENCES

**June 16**
LSE: Energy supply options in a resource-full national economy—the case of the UK (01-405 7686) **London, WC2**

**June 18-19**
FT Conference: World gold in 1986 *(01-621 1355)* **Hotel Inter-Continental, W1**

**Juno 18**
Institute of Directors: UK companies — the revenue offensive (01-839 1233) **116 Pall Mall, SW1**

**June 18**
RIPA: Covernment and the private sector (01-222 2248) **London Business School, NW1**

**June 18-20**
1986 World Congress on Management Development (0234 48338) **Royal Lancaster Hntel, W2**

**June 24**
FIBEX: Corporate restructuring—fnr better or worse? **Hotel Inter-Continental, W1**

**June 25**
Dun & Bradstreet: How to handle letters of credit (01-377 4453) **Holiday Inn, London**

**July 1-3**
Britisb Institute of Energy Economics: The *future of UK North* Sea oil and gas (01-398 5778) **Whitehall**

**July 2**
The Industrial Society: We're making it happen — industry works for people (01-839 4300) **The Royal Albert Hall**

**July 2-3**
International Business Communications: Tax aspects of interoational treasury management (01-236 4080) **Cafe Royal, W1**

**July 7-9**
The Institute of Petroleum: Introduction to petroleum economics (01-636 1004) ***81 New Cavendisb Street W1***

**Joly 8-9**
Crown Eagle: Defence cootract management and negotiatioo (01-242 4111) ***The Tower Hotel, E1***

**Joly 9-11**
HS Conferences: Three days of theft, fraud and negligence (01-935 2382) **Cafe Royal, W1**

**July 10**
The Royal Institute of International Affairs: China's seventh Five Year Plan: an assessment (01-930 2233) **Chatham House, SW1**

**July 11**
*University of Cambridge: Water* privatisation (0223 335860) **Selwyn College**

**July 18**
Legal Studies and Services: Mergers and acquisitions — strategic tax and accounting issues (01-236 4080) **Royal Lancaster Hotel, W2**

**August 26-28**
FT Conference: World aerospace to the end of the century (01-621 1355) **Hotel Inter-Continental, W1**

**September 4-5**
Euromoney Conferences: Eurobonds '86 New opportunities in creative markets (01-236 3288) **Grosvenor House, W1**

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*

# WORLD STOCK MARKETS

## AUSTRIA

| 1986 High | 1986 Low | June 13 | Price Sch |
|---|---|---|---|
| 2,500 | 2,200 | Credit'nst'lt pp * | 2,250 |
| 3,850 | 3,075 | Goesser * | 3,500 |
| 16,000 | 13,300 | Interunfall * | 14,100 |
| 21,750 | 18,000 | Jungbunzlauer * | 18,900 |
| 2,478 | 1,950 | Laenderbank * | 2,230 |
| 795 | 585 | Perlmooser | 660 |
| 211 | 150 | Steyr Daimler | 165 |
| 12,500 | 8,850 | Veitscher Mag * | 11,450 |

## BELGIUM/LUXEMBOURG

| 1986 High | 1986 Low | June 13 | Price Frs. |
|---|---|---|---|
| 3,500 | 2,290 | B.B.L. | 3,040 |
| 15,600 | 9,600 | Banq. 2on. Lux. | 15,600 |
| 17,000 | 9,400 | Banq. Int.A.Lux. | 15,330 |
| 14,500 | 8,950 | Bekaert | 10,800 |
| 4,650 | 2,640 | Ciment CBR | 3,495 |
| 195 | 149 | Cockerill | 142 |
| 13,950 | 8,310 | Delhaize | 15,950 |
| 4,940 | 3,580 | EBES | 4,245 |
| 17,350 | 10,495 | Electrobel | 14,850 |
| 0,700 | 1,970 | Fabriqun Nat. | 9,150 |
| 7,760 | 3,580 | GB Innc BM. | 6,980 |
| 4,525 | 2,599 | GBL (Brux) | 3,075 |
| 6,800 | 4,316 | Generale Bank | 5,840 |
| 6,850 | 4,750 | Gevaert | 5,780 |
| 8,100 | 9,700 | Hoboken | 7,000 |
| 5,993 | 2,880 | Intercom | 3,380 |
| 17,500 | 10,100 | Kredietbank | 16,575 |
| 11,650 | 9,900 | Pan Holding | 11,850 |
| 8,050 | 6,050 | Petrofina | 9,050 |
| 05,000 | 17,800 | Royale Belge | 24,000 |
| 3,270 | 2,120 | Soc. Gen. Belge | 8,800 |
| 11,000 | 7,710 | Sofina | 8,320 |
| 8,920 | 6,050 | Solvay | 7,590 |
| 593 | 460 | Stanwick Intl. | 460 |
| 6,540 | 4,575 | Traotionel | 6,650 |
| 7,500 | 5,300 | UCB | 7,500 |
| 6,200 | 3,705 | Wagons Lits | 5,260 |

## DENMARK

| 1986 High | 1986 Low | June 13 | Price Knr. % |
|---|---|---|---|
| 424 | 344 | Andelsbanken | 344 |
| 670 | 613 | Baltica Skand. | 640 |
| 348 | 238 | Cop Handelsb'nk | 066 |
| 470 | 370 | 2. Sukkerfab | 385 |
| 381 | 314 | Danske Bank | 618 |
| 1,660 | 1,480 | De Danske Luft. | 1,570 |
| 298 | 210 | East Asiatic | 216 |
| 1,240 | 900 | Forenede Brygg. | 1,140 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## FRANCE

| 1986 High | 1986 Low | June 13 | Price Fr. |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## NORWAY

| 1986 High | 1986 Low | June 13 | Price Kroner |
|---|---|---|---|
| 173.5 | 149 | Bergens Bank | 152.5 |
| 477.3 | 324 | Borregaard | 332.5 |
| 179 | 151.9 | Christiania Bank | 181.3 |
| 186 | 146 | Den Norske Cred | 154 |
| 125 | 94 | Elkem | 107 |
| 197.5 | 132 | Kosmos | 156.8 |
| 191 | 120 | Kvaerner | 127.6 |
| 166.2 | 00 | Norcem | 93 |
| 243.7 | 000 | Norsk Data | 022.5 |
| 161 | 128 | Norsk Hydro | 158.3 |
| 285 | 205 | Storebrand | 255 |

## SPAIN

| 1986 High | 1986 Low | June 19 | Price Pta % |
|---|---|---|---|
| 820 | 413 | Bco Bilbao | 892 |
| 755 | 347 | Bco Central | 637 |
| 470 | 207 | Bco Exterior | 405 |
| 505 | 207 | Bco Hispano | 399 |
| 1,100 | 458 | Bco Popular | 295 |
| 770 | 420 | Bco Santander | 632 |
| 1,340 | 595 | Bco Vizcaya | 1,250 |
| 429.3 | 155 | Dragados | 316 |
| 142 | 82.6 | Hidrola | 120 |
| 201 | 101.5 | Iberduero | 151 |
| 455 | 170 | Petroleos | 336.6 |
| 228.3 | 125.3 | Telephonica | 187 |

## GERMANY

| 1986 High | 1986 Low | June 16 | Price Dm |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## NETHERLANDS

| 1986 High | 1986 Low | June 13 | Price Fis. |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## SWITZERLAND

| 1986 High | 1986 Low | June 13 | Price Frs. |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |
| 2,820 | 1,600 | Swissair | 1,640 |
| 625.6 | 534 | Swiss Bank | 538 |
| 19,700 | 13,300 | Swiss Reince | 17,400 |
| 2,750 | 2,340 | Swiss Volksbk | 2,450 |
| 5,790 | 4,850 | Union Bank | 5,465 |
| 6,600 | 4,820 | Winterthur | 5,725 |
| 8,775 | 6,750 | Zurich Ins. | 7,525 |

## SINGAPORE

| 1986 High | 1986 Low | June 13 | Price $ |
|---|---|---|---|
| 1.20 | 0.76 | Boustead Hldgs. | 1.10 |
| 3.06 | 2.17 | Cold Storage | 2.98 |
| 6.56 | 4.4 | DBS | 6.35 |
| 4.62 | 3.3 | Genting | 6.40 |
| 0.74 | 1.64 | Haw Par. Bros. | 0.69 |
| 0.50 | 1.74 | Hong Leong Fin. | 0.18 |
| 2.01 | 1.02 | Inchcape Bhd. | 1.95 |
| 1.46 | 0.4 | Keppel Shipyard | 1.40 |
| 4.86 | 3.04 | Malay Banking | 3.69 |
| 1.69 | 0.09 | Malay Utd Ind. | 1.38 |
| 0.6 | 0.30 | Multi Purpose | 0.46 |
| 7.55 | 5.85 | OCBC | 6.95 |
| 9.38 | 2.19 | OUB | 2.66 |
| 1.78 | 0.80 | Public Bank | 1.02 |
| 1.45 | 0.82 | Sime Darby | 1.40 |
| 8.80 | 5.65 | Singapore Air | 6.50 |
| 5.80 | 6.5 | Singapore Press | 6.75 |
| 3.00 | 1.86 | Straits Trdg. | 2.68 |
| 2.40 | 1.81 | Tat Lee Bk. | 2.55 |
| 6.80 | 2.22 | UOB | 3.68 |

## JAPAN

| 1986 High | 1986 Low | June 16 | Price Yen |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## SWEDEN

| 1986 High | 1986 Low | June 13 | Price Kroner |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |
| 252 | 167 | Pharmacia | 207 |
| 890 | 495 | Saab Scania Free | 800 |
| 935 | 675 | Sandvik | 930 |
| 650 | 330 | Skandia | 610 |
| 389 | 285 | SKF | 347 |
| 190 | 136 | Sonneson | 175 |
| 325 | 157 | Stora Kopparbrg | 283 |
| 674 | 220 | Swedish Match | 668 |
| 435 | 300 | Volvo B (Free) | 407 |

## AUSTRALIA

| 1986 High | 1986 Low | June 16 | Price Aust. $ |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## SOUTH AFRICA

| 1986 High | 1986 Low | June 16 | Price Rand |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## HONG KONG

| 1986 High | 1986 Low | June 13 | Price H.K.$ |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## ITALY

| 1986 High | 1986 Low | June 16 | Price Lire |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |
| 64,000 | 24,250 | Toro Assic | 32,550 |

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. 0 Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Danish Kroner.

# CANADA

## TORONTO

*Closing prices June 13*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## MONTREAL

*Closing prices June 13*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Total Sales 3,551,657 shares

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, June 13*

Continued from Page 35

| Stock | Sales (Hods) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# Indices

## NEW YORK

| DOW JONES | June 13 | June 12 | June 11 | June 10 | June 2 | 1986 High | 1986 Low | Since Cmp High | Since Cmp Low |
|---|---|---|---|---|---|---|---|---|---|
| ♦ Industri'ls | 1874.18 | 1838.13 | 1846.07 | 1597.19 | 1840.16 | 1885.90 6/6 | 1502.29 22/1 | 1885.90 6/6/86 | 41.22 2/7/32 |
| H'me Bnds. | 89.38 | 89.62 | 89.43 | 89.42 | 90.64 | 31.94 91/4 | 85.75 14/1 | — | — |
| Transport. | 786.50 | 779.65 | 774.63 | 774.15 | 778.38 | 850.84 31/5 | 686.97 8/1 | 850.84 31/5/86 | 12.32 5/7/32 |
| Utilities | 187.52 | 185.06 | 183.76 | 183.47 | 183.89 | 185.75 31/5 | 168.47 22/1 | 185.75 31/5/86 | 18.5 4/32 |

♦Day's High 1886.21 (1851.86) Low 1843.92 (1826.29)

| STANDARD AND POOR'S | June 13 | June 12 | June 11 | June 10 | June 2 | 1986 High | 1986 Low | Since Cmp High | Since Cmp Low |
|---|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 245.70 | 041.42 | 241.13 | 062.55 | 030.96 | 247.98 (29/5) | 203.49 22/1 | 247.98 29/5/86 | 4.40 1/6/35 |
| Industrials | 075.45 | 271.00 | 070.87 | 069.08 | 269.11 | 277.16 (29/5) | 224.88 22/1 | 277.16 29/5/86 | 3.62 21/6/32 |
| Financials | 28.87 | 27.22 | 27.84 | 27.57 | 27.96 | 31.13 (14/3) | 25.15 22/1 | 31.13 14/3/86 | 8.64 1/13/74 |
| N.Y.S.E. COMPOSITE | 141.00 | 138.81 | 138.58 | 167.70 | 138.03 | 142.57 29/5 | 117.75 22/1 | 142.57 29/5/86 | 4.46 28/4/43 |
| AMEX.MKT. VALUE | 280.63 | 979.94 | 278.82 | 277.44 | 278.45 | 282.85 16/6 | 240.38 4/2 | 282.65 13/6/86 | 29.13 9/12/74 |
| NASDAQ OTC COMP. | 399.50 | 696.63 | 585.44 | 392.83 | 694.73 | 400.25 6/6 | 325.81 9/1 | 400.25 6/6/86 | 54.97 3/10/74 |

| DIVIDEND YIELDS | June 6 | May 30 | May 09 | May 9 | year ago (approx) |
|---|---|---|---|---|---|
| Dow Industrial | 3.00 | 3.57 | 3.57 | 3.65 | 4.99 |
| | June 11 | June 4 | May 28 | May 21 | |
| S and P Industrial | 2.97 | 2.95 | 2.92 | 6.06 | 3.77 |
| S and P Ind P/E ratio | 17.86 | 17.91 | 18.03 | 17.86 | 11.54 |

### TRADING ACTIVITY

| Volume † (Millions) | June 13 | June 12 | June 11 |
|---|---|---|---|
| New York | 141.20 | 109.06 | 127.55 |
| Amex | 15.32 | 17.34 | 12.77 |
| O.T.C. | — | 130.04 | 124.00 |

| New York | June 13 | June 10 | June 11 |
|---|---|---|---|
| Issues Traded | 1,954 | 1,943 | 1,270 |
| Rises | 1,196 | 707 | 059 |
| Falls | 359 | 729 | 383 |
| Unchanged | 699 | 421 | 428 |
| New Highs | — | 63 | 43 |
| New Lows | — | 14 | 26 |

## CANADA

| TORONTO | June 13 | June 12 | June 11 | June 10 | June 9 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|---|
| Metals & Minerals | — | 2185.4 | 2178.5 | 2173.0 | 2204.2 | 2442.85 (21/3) | 2025.5 (21/6) |
| Composite | 3089.0 | 3073.4 | 3069.7 | 6050.2 | 3064.0 | 3129.11 (18/4) | 2754.0 (17/2) |
| MONTREAL Portfolio | 1567.30 | 1560.99 | 1558.60 | 1547.29 | 1552.63 | 1582.55 (18/4) | 1286.00 (22/1) |

### NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Diam Shamr'ck | 1,434,800 | 11⅛ | − ⅛ |
| Fruehauf | 1,410,800 | 45⅜ | + ⅛ |
| Philips Petr'm | 1,409,100 | 9⅞ | − ⅛ |
| Philadelph Elec | 1,345,000 | 19⅛ | + ⅛ |
| Eastern Air L | 1,304,900 | 8⅛ | − ⅛ |
| K Mart | 1,182,200 | 52⅝ | +1⅞ |
| Borg-Warner | 1,133,900 | 34 | +2⅛ |
| Lockheed | 1,010,800 | 52 | + ⅛ |
| Pannill Knitg. | 944,200 | 26 | + ⅛ |
| Fed Nat Mort | 910,800 | 34⅞ | + ⅛ |

| | June 13 | June 10 | June 11 | June 10 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** All Ord. (1/1/80) | 1218.5 | 1218.5 | 1225.4 | 1222.1 | 1247.0 (7/5) | 1010.5 (2/1) |
| Metals & Mnls. (1/1/80) | 536.5 | 538.9 | 541.1 | 537.1 | 602.0 (24/5) | 481.1 (20/5) |
| **AUSTRIA** Credit Bk Aktien (2/1/62) | 117.50 | 118.62 | 119.17 | 113.37 | 130.03 (25/4) | 110.15 (6/3) |
| **BELGIAN** Brussels SE (1/1/80) | 3515.21 | 3504.32 | 3523.50 | 3541.55 | 3700.15 (24/4) | 2799.91 (15/1) |
| **DENMARK** Copenhagen SE (3/1/85) | 224.11 | 224.90 | 226.85 | 228.15 | 256.70 (18/4) | 214.27 (21/1) |
| **FRANCE** CAC General (31/12/82) | 344.70 | 345.6 | 346.7 | 344.1 | 411.3 (15/5) | 287.8 (2/1) |
| Ind Tendance (31/12/82) | 150.5 | 150.3 | 151.2 | 131.2 | 154.3 (12/5) | 151.5 (2/1) |
| **GERMANY** FAZ Aktien (31/12/58) | 668.56 | 653.56 | 648.02 | 652.12 | 753.88 (17/4) | 515.34 (27/2) |
| Commerzbank (1/12/53) | 2010.1 | 1977.2 | 1952.1 | 1585.2 | 2278.6 (17/4) | 1885.9 (27/2) |
| **HONG KONG** Hang Seng Bank (31/7/64) | 1765.66 | 1752.79 | (c) | 1751.36 | 1865.65 (7/5) | 1559.94 (19/5) |
| **ITALY** Banca Comm Ital. (1972) | 708.36 | 694.23 | 719.07 | 685.84 | 908.29 (20/5) | 454.87 (24/1) |
| **JAPAN**** Nikkei (16/5/49) | 17235.97 | 17151.2 | 17095.4 | 16967.7 | 17235.97 (16/6) | 12881.5 (21/1) |
| Tokyo SE New (4/1/68) | 1327.78 | 1325.17 | 1319.36 | 1311.55 | 1327.78 (13/6) | 1025.85 (21/1) |
| **NETHERLANDS** ANP.CBS General (1970) | 287.8 | 287.2 | 286.1 | 285.4 | 292.5 (2/5) | 240.4 (5/3) |
| ANP.CBS Indust (1970) | 282.5 | 281.4 | 280.3 | 276.7 | 294.9 (2/5) | 254.0 (3/3) |
| **NORWAY** Oslo SE (4/1/83) | 350.51 | 348.26 | 348.45 | 348.51 | 402.91 (16/1) | 332.25 (20/5) |
| **SINGAPORE** Straits Times (30/12/66) | 698.12 | 703.58 | 708.61 | 712.12 | 712.12 (10/6) | 563.34 (28/4) |
| **SOUTH AFRICA** JSE Gold (28/9/78) | — | 1257.4 | 1286.5 | 1282.3 | 1507.9 (27/1) | 1108.1 (31/4) |
| JSE Indust (28/9/78) | — | 1154.4 | 1158.8 | 1167.5 | 1203.1 (20/5) | 1089.3 (2/1) |
| **SPAIN** Madrid SE (30/12/85) | 172.71 | 174.80 | 176.16 | 176.88 | 184.77 (12/5) | 100.85 (6/1) |
| **SWEDEN** Jacobson & P (31/12/56) | 2394.48 | 2404.84 | 2418.38 | 2428.52 | 2431.79 (9/6) | 1728.57 (29/1) |
| **SWITZERLAND** Swiss Bank Cpn (31/12/58) | 558.8 | 558.3 | 555.6 | 558.3 | 625.5 (9/1) | 554.7 (29/2) |
| **WORLD** M.S. Capital Intl. (1/1/70) | — | 318.7 | 315.3 | 315.7 | 322.2 (21/4) | 249.8 (23/1) |

** Saturday June 7: Japan Nikkei 16,899.01, TSE 1,311.78.

Base value of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

*Closing prices, June 13*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25¼ | 12 | AAR s | .44 | 1.8 | 22 | 203 | 24¼ | 23½ | 24 | −⅜ |
| 30 | 21¾ | AD7 | .92 | 3.2 | | 303 | 28½ | 28 | 28½ | +¼ |
| 28⅝ | 11½ | AFG s | | | 20 | 2517 | u30¾ | 28¾ | 30⅝ | +2¼ |
| 25⅜ | 13⅛ | AGS | | | 15 | 36 | 20⅞ | 20⅝ | 20⅞ | +⅛ |
| 15 | 9⅛ | AMCA | | | | 17 | 12⅝ | 12⅛ | 12⅝ | +½ |
| 60⅝ | 37½ | AMR | | | 11 | 3589 | 52½ | 51⅛ | 52½ | +¾ |
| 25¾ | 18⅝ | AMR pf2.18 | | 8.8 | | 1 | 24¾ | 24¾ | 24¾ | |
| 27½ | 23¼ | ANR pf 2.67 | | 10. | | 3 | 25½ | 25½ | 25½ | −½ |
| 23½ | 19 | ANR pf 2.12 | | 10. | | 1171 | 21⅜ | 20⅞ | 21¼ | −¾ |
| 12½ | 7⅝ | APL | | | 6 | 1 | 11 | 11 | 11 | |
| 16¾ | 11⅛ | ARX | .71t | 5.8 | 12 | 27 | 13⅝ | 13¼ | 13¼ | −⅛ |
| 51⅜ | 32¾ | ASA | 2a | 5.8 | | 441 | 34¾ | 34 | 34¼ | −½ |
| 18⅝ | 10½ | AVX | | 2.3 | | 224 | 13⅞ | 13⅝ | 13¾ | −⅛ |
| 32 | 22⅝ | AZP | 2.72 | 10. | 7 | 1239 | 27⅛ | 26¾ | 27 | +¼ |
| 48⅞ | 28⅝ | AbtLb s | | | 24 | 4856 | u50 | 48¼ | 49½ | +⅞ |
| 32 | 19⅝ | AccoWd .50 | | 1.7 | 20 | 877 | 29⅝ | 29¼ | 29¼ | −⅛ |
| 24¾ | 10 | AcmeC .40 | | 3.0 | | 190 | 13⅜ | 12¾ | 13⅜ | +⅜ |
| 9¼ | 7 | AcmeE .32b | | 4.1 | 18 | 38 | 9⅛ | 7⅞ | 7⅞ | −⅛ |
| 20¾ | 16⅞ | AdaEx 1.90e | | 9.5 | | 180 | 20 | 19¾ | 20 | +⅛ |
| 33 | 15⅛ | AdmMl .40 | | 1.2 | 15 | 20 | u33⅛ | 32⅝ | 33 | |
| 20⅜ | 10¼ | AdvSys.83t | | [illegible] | 17 | 49 | 18 | 17¾ | 17⅞ | +⅛ |
| 32⅞ | 22⅞ | AMD | | | | 4173 | 24½ | 23½ | 23½ | −½ |
| 12⅝ | 8¼ | Adobe n | | | | 78 | 8½ | 8⅝ | 8⅝ | |

Continued on Page 35

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 01¾ | 48 | Pilsbry 1.72 | | 2.2 | 17 | 1692 | 78¾ | 77 | 78¾ | + 1⅜ |
| 27⅛ | 18⅝ | Pioneer 24 | | 3.3 | | 2421 | 23¾ | 23 | 23¾ | + ¼ |
| 29⅜ | 13¾ | PionrEl 10e | | .3 | | 58 | 29 | 28¾ | 29 | |
| 63⅜ | 37 | PitnyB 1.32 | | 2.1 | 16 | 866 | 62⅝ | 62 | 62⅜ | + ¼ |
| 128 | 74½ | PitnB pf2.12 | | 1.7 | | 5 | 164 | 123 | 124 | + 2 |
| 15⅞ | 10⅝ | Pitstn | | | 140 | 561 | 12⅞ | 12½ | 12⅝ | + ⅛ |
| 26½ | 15 | Plains n .07 | | .3 | 51 | 30 | 23½ | 23¼ | 23¼ | − ¼ |
| 24 | 13¾ | PlanRs .20 | | 1.0 | 16 | 175 | 19½ | 19⅛ | 19½ | + ⅛ |
| 19½ | 8¼ | Plantm .16 | | .8 | 15 | 71 | 19 | 18¾ | 19 | + ⅛ |
| 10⅜ | 6⅝ | Playboy | | | | 75 | 7⅛ | 6⅞ | 7 | + ⅛ |
| 37¾ | 19⅛ | Plesey .72e | | 2.2 | 24 | 1 | 33 | 33 | 33 | + ½ |
| 17⅜ | 5⅞ | PogoPd .26 | | 3.3 | | 124 | 8¼ | 8 | 8⅛ | |
| 72⅞ | 28½ | Polarld 1 | | 1.5 | 31 | 1568 | 67⅝ | 66 | 67⅜ | + 1⅞ |
| 24 | 10⅝ | Pondrs .40 | | 1.8 | 18 | 589 | 22⅞ | 21⅝ | 22¾ | + 1⅛ |
| 24¾ | 16¾ | PopTal .80b | | 3.8 | 32 | 96 | 23 | 19⅞ | 20⅞ | + 1 |
| 22¾ | 14¾ | Portec .86 | | 3.0 | 24 | 10 | 20⅛ | 19¾ | 19⅞ | |
| 29⅜ | 17⅞ | PortGC1.96 | | 6.6 | 10 | 694 | u29¾ | 29¼ | 29¾ | + ⅝ |
| 29¼ | 22⅞ | PorG pf2.60 | | 9.4 | | 6 | 28¼ | 27¾ | 27¾ | − ½ |
| 35⅞ | 32⅝ | PorG pf4.40 | | 13. | | 41 | 34¾ | 34⅝ | 34½ | − ⅛ |
| 35½ | 32 | PorG pf4.32 | | 13. | | 6 | 34⅝ | 34⅛ | 34⅝ | + ⅛ |
| 50⅞ | 32¼ | Potltch 1.56 | | 3.2 | 20 | 63 | 49 | 47½ | 48⅞ | + 1⅛ |
| 57¾ | 54 | Potlt pf3.75 | | 6.0 | | 1 | 57 | 57 | 57 | + ¼ |
| 44¼ | 27½ | PotmEl2.36 | | 5.3 | 12 | 1048 | u44⅝ | 43⅝ | 44⅝ | + 1½ |
| 53½ | 43 | PotEl pf4.20 | | 8.9 | | z200 | 50⅝ | 50⅝ | 50⅝ | − ⅝ |
| 52½ | 38⅛ | PotEl pf4.04 | | 8.7 | | z700 | 47 | 46⅛ | 46½ | |
| 35½ | 18⅞ | Premin .40 | | 1.2 | 23 | 101 | 32½ | 32¼ | 32¼ | |
| 29 | 18¾ | Primk s1.10 | | 4.1 | 13 | 193 | 27⅝ | 27 | 27 | − ⅜ |
| 28 | 14½ | PrimeC | | | 17 | 2186 | 18⅝ | 18 | 18½ | + ¼ |
| 45⅞ | 22⅛ | PrimM s.66 | | .2 | 36 | 724 | 43½ | 42¾ | 43⅝ | + ⅞ |
| 78¾ | 52¾ | ProctG 2.70 | | 3.5 | 10 | 4031 | 77 | 74⅞ | 76⅝ | + 1½ |
| 17¼ | 12 | PrdRs u .28 | | 1.7 | 22 | 544 | 16⅝ | 15¾ | 16¾ | + 1½ |

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 51⅝ | 30¾ | WiscEP2.68 | | 5.2 | 12 | 689 | u52⅝ | 51 | 52 | + 1 |
| 100¾ | 66 | WisE pf7.75 | | 8.2 | | z150 | 95 | 94 | 95 | + ½ |
| 49¾ | 28⅛ | WiscPL2.84 | | 5.9 | 12 | 47 | 48¼ | 47⅞ | 48 | |
| 49¾ | 35½ | WiscPS2.60 | | 5.9 | 11 | 149 | 49 | 48¾ | 48¾ | − ¼ |
| 56⅝ | 33 | Witco 1.48 | | 2.6 | 15 | 47 | 53⅝ | 53⅜ | 53⅝ | − ⅛ |
| 14 | 10 | WolvrW.24 | | 2.2 | 22 | 286 | 11⅛ | 10⅝ | 11⅛ | + ⅜ |
| 48 | 21⅝ | Wlwth s1.12 | | 2.5 | 15 | 1756 | 45⅜ | 44⅞ | 45⅛ | + ¾ |
| 5⅝ | 3 | WrldAr | | | | 17 | 4⅛ | 4 | 4⅛ | + ⅛ |
| 45⅞ | 22¼ | Wrigly s .86 | | 2.3 | 19 | 189 | 41⅞ | 39¾ | 41⅜ | + 1⅝ |
| 4⅞ | 2⅜ | Wurltzr | | | | 17 | 3⅛ | 3 | 3 | |
| 17½ | 10½ | WyleLb .32 | | 2.3 | 43 | 189 | 13⅞ | 13⅝ | 13¾ | + ⅛ |
| 22½ | 15 | Wynns .88 | | 2.6 | | 424 | u23 | 21¾ | 23 | + 1½ |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 45¾ | Xerox 3 | | 5.3 | 13 | 5022 | 57⅛ | 56⅛ | 56½ | − ⅛ |
| 58¼ | 53¼ | Xerox pf5.45 | | 9.8 | | 13 | 55⅜ | 55¼ | 55⅜ | |
| 26¾ | 20⅝ | XTRA .64 | | 2.6 | | 152 | 25⅛ | 24 | 24⅛ | − ⅞ |
| 17¼ | 13½ | Yorkln n | | | | 837 | u17⅝ | 16⅞ | 17 | + ⅛ |
| 38 | 26¼ | ZaleCp 1.32 | | 3.9 | | 326 | 36¾ | 36¼ | 36½ | |
| 11⅜ | 3½ | Zapata .03j | | | | 149 | 4¼ | 4⅛ | 4⅛ | − ⅛ |
| 82 | 47¾ | Zayre .64 | | .8 | 26 | 915 | u84⅝ | 61½ | 64 | + 2 |
| 41 | 23⅞ | Zayre wi | | | | 60 | u42½ | 41 | 42½ | + |
| 28⅞ | 16¼ | ZenithE | | | | 1455 | 25⅜ | 24⅞ | 25 | |
| 36⅝ | 17⅜ | ZenLbs.10e | | .3 | 21 | 1242 | 32 | 31⅝ | 32 | + ⅛ |
| 18¼ | 8⅝ | ZenLb wi | | | | 88 | 16⅛ | 15⅞ | 16 | |
| 22⅝ | 14 | Zero s .29 | | 1.0 | 18 | 69 | 18½ | 18⅛ | 18⅜ | + ¼ |
| 45¾ | 32¼ | Zumin 1.32 | | 3.6 | 14 | 228 | 38⅛ | 37¾ | 38⅛ | + ⅛ |

*Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.*

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE CLOSING PRICES

*Closing prices, June 13*

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, June 13*

Continued on Page 33

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Nervous trading on US figures

Foreign exchange trading was nervous last week, as the US economy sent out signals of sluggish economic growth in the second quarter. First quarter growth, revised up to 3.7 per cent in late May, was largely the result of stockbuilding and defence spending. The first quarter figure will be revised again on Wednesday, but the market will probably take little notice, unless there is a very sharp correction, preferring to look ahead to the second quarter gross national product figure, which is not expected to be as high. The April figure for durable goods orders showed a sharp cut in defence spending.

US industrial production was forecast to be weak in May. Friday's announcement of a 0.6 per cent fall, compared with an April increase revised up to 0.4 per cent, but with expectations of a decline of about 0.1 per cent to 0.3 per cent.

The US producer price index for May was also published on Friday, and the rise of 0.6 per cent was towards the top of the expected range, fuelling fears that US inflation may rise in the second half of the year.

Taken together the industrial production figures and producer price index painted a rather confusing picture for the future of US interest rates.

Overall the dollar was weaker, in spite of intervention by the Bank of Japan. The level of Y165 was attacked in Tokyo on Friday, but not permanently breached. The dollar also held above DM 2.20, partly because of the uncertainty ahead of yesterday's regional elections in Lower Saxony, West Germany.

There was also an air of uncertainty about sterling. The fall in UK inflation to under 3 per cent was widely expected, but was offset by the very sharp growth in M3 money supply, leaving financial markets divided about the likely timing of a cut in clearing bank base rates. Overall, the pound was little changed, but gave a general impression of nervousness.

A mood of nervous uncertainty surrounded other currencies to an even greater extent. The Mexican peso; South African rand; and Australian dollar were particularly volatile.

On Monday, when Mr Paul Volcker, chairman of the Federal Reserve Board, visited Mexico, for talks about the problems of servicing the country's $97bn of foreign debt, the dollar rose to a peak of Mp 730, but by Friday had slipped back to Mp 630, as both Mr Volcker and other US officials, took a conciliatory line over the situation.

The declaration of a state of emergency in South Africa, was followed by a slight recovery of the financial rand, but the mood of unrest in the country, and the threat of escalating violence and widespread strikes by black workers today, the 10th anniversary of the Soweto uprising, had already severely eroded confidence in the South African economy and the rand. The dollar rose to R4.76475 against the financial rand just before the state of emergency was declared, but slipped back to finish the week at R4.6535. Shortly after South Africa's financial crisis came to a head last August the financial rand was quoted around R2.60 against the dollar.

Mr Bob Hawke, the Australian Prime Minister, announced a package of austerity measures last week, but the initial reaction of the financial markets was that the moves were not tough enough to correct the country's economic problems. The US dollar rose to A$1.46 from A$1.43575 after the measure were announced, and finished the week at A$1.4420.

### £ IN NEW YORK

| June 13 | Close | Prev. close |
|---|---|---|
| £ Spot | $1.5225-5935 | $1.5290-1.0280 |
| 1 month | 0.36-0.35pm | 0.36-0.55pm |
| 3 months | 1.01-0.99pm | 1.00-0.97pm |
| 12 months | 2.08-2.90pm | 3.02-2.96pm |

Forward premiums and discounts apply to the US dollar

### CURRENCY MOVEMENTS

| June 13 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 75.9 | −15.4 |
| U.S. dollar | 114.2 | +5.5 |
| Canadian dollar | 72.6 | −19.3 |
| Austrian schilling | 128.4 | +7.8 |
| Belgian franc | 90.0 | −7.3 |
| Danish Kroner | 80.0 | −0.8 |
| Deutsche mark | 158.5 | +14.8 |
| Swiss franc | 100.3 | +17.2 |
| Guilder | 120.1 | +2.5 |
| French franc | 69.2 | −15.4 |
| Lira | 46.3 | −17.9 |
| Yen | 207.2 | +02.5 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

### OTHER CURRENCIES

| June 13 | £ | $ |
|---|---|---|
| Arg'tine | 1.3245-1.3270 | 0.8700-0.8710 |
| Aus'alia | 2.1235-2.1200 | 1.4410-1.4430 |
| Brazil | 20.96-21.09 | 13.77-13.84 |
| Finland | 7.8205-7.8410 | 5.1600-5.1020 |
| Greece | 209.79-213.24 | 138.33-140.00 |
| H'kong | 11.8560-11.8670 | 7.8060-7.8080 |
| Iran | 190.90* | 78.60* |
| Kuwait | 0.4460-0.44680 | 0.29300-0.29320 |
| Lux'bnrg | 68.70-68.80 | 45.05-45.10 |
| Malaysia | 3.9870-3.9970 | 2.6075-2.6125 |
| N'Z'land | 2.7725-2.7870 | 1.8316-1.8333 |
| Saudi Ar. | 5.7115-5.7195 | 3.7500-3.7515 |
| Sin'pore | 3.3640-3.3648 | 2.2160-2.2120 |
| S Af. (Cm) | 4.0830-4.1120 | 2.6020-2.7020 |
| S.Af. (Fn) | 6.2276-7.2565 | 4.5435-4.7310 |
| U.A.E. | 5.5935-5.5285 | 3.0795-3.3730 |

* Selling rate.

### CURRENCY RATES

| June 13 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.771908 | 0.658684 |
| US $ | 0½ | 1.16944 | 0.957643 |
| Canadian $ | 8.92 | * | 1.34164 |
| Austria Sch | 4 | 18.2861 | 15.1049 |
| Belgian Fr | 8 | 53.0518 | 43.9020 |
| Danish Kr | 7 | 9.31747 | 7.96973 |
| D'mark | 3½ | 2.89680 | 2.14865 |
| Guilder | 4½ | 2.82477 | 2.49007 |
| French Fr | 9½ | N/A | 6.80045 |
| Lira | 12 | * | 1470.00 |
| Yen | 3½ | 193.101 | 160.987 |
| Norway Kr. | 8 | 8.85500 | 7.59748 |
| Span'h Pta | — | 166.058 | 137.405 |
| Swedish Kr | 8 | N/A | 6.94768 |
| Swiss Fr | 4 | 2.14733 | 1.77679 |
| Greek Drch | 20½ | N/A | 154.744 |
| Irish Punt | — | * | 0.70880 |

* C$/SDR rate for June 12: 1.62558. Italian Lira SDR rate for June 12: 1782.65. Irish Punt SDR rate for June 12: 0.855736.

### POUND SPOT—FORWARD AGAINST POUND

| June 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5130-1.5260 | 1.5240-1.5250 | 0.37-0.34c pm | 2.79 | 1.01-0.97 pm | 2.60 |
| Canada | 2.0961-2.1111 | 2.1080-2.1110 | 0.30-0.21c pm | 1.45 | 0.62-0.48 pm | 1.04 |
| Nethlnd. | 3.77¾-3.79½ | 3.78½-3.79½ | 1⅛-1⅛c pm | 3.86 | 3½-3⅛ pm | 3.83 |
| Belgium | 68.39-68.82 | 68.70-68.80 | 15-12c pm | 2.62 | 47-38 pm | 2.47 |
| Denmark | 12.45-12.50¼ | 12.47¾-12.48¾ | 2¼-1⅞ore pm | 2.10 | 8⅝-6⅞ pm | 1.90 |
| Ireland | 1.1075-1.1115 | 1.1100-1.1110 | 0.10-0.03p pm | 0.70 | 0.19-0.03 pm | 0.35 |
| W. Ger. | 3.35¾-3.37 | 3.36¼-3.37 | 1⅞-1⅛pf pm | 5.35 | 4¾-4⅝ pm | 5.05 |
| Portugal | 224.15-229.05 | 225.80-228.05 | 90-225c dis | −8.31 | 280-605 dis | −8.38 |
| Spain | 214.89-215.41 | 215.10-215.40 | 25-75c dis | −8.07 | 95-210 dis | −2.83 |
| Italy | 2304⅛-2314⅛ | 2313¼-2314¼ | 7-7lire dis | −2.07 | 8-15 dis | −1.99 |
| Norway | 11.44⅝-11.52⅝ | 11.45½-11.50½ | 3½-4⅛ore dis | −4.28 | 12⅞-13¼ dis | −4.80 |
| France | 10.69⅞-10.74⅞ | 10.72⅝-10.73⅝ | 2⅛-2c pm | 2.51 | 8⅝-5⅞ pm | 2.30 |
| Sweden | 10.85-10.92¾ | 10.89⅝-10.90⅝ | 3⅛-4⅞ore dis | −5.55 | 5⅛-12⅞ dis | −2.22 |
| Japan | 251⅞-252½ | 251½-252½ | 1⅛-1y pm | 5.36 | 3⅞-3½ pm | 4.96 |
| Austria | 23.54-23.72 | 23.69-23.72 | 10⅛-8⅝gro pm | 5.06 | 28-25 pm | 4.47 |
| Switz. | 2.77-2.78⅛ | 2.77-2.78 | 1⅛-1c pm | 4.86 | 3⅛-3⅛ pm | 4.86 |

Belgian rate is for convertible francs. Financial franc 69.50-69.60. Six-month forward dollar 1.76-1.74c pm. 12-month 2.98-2.86c pm.

### FORWARD RATES AGAINST STERLING

| | Spot | 1-month | 3-month | 6-month | 12-month |
|---|---|---|---|---|---|
| Dollar | 1.5245 | 1.5210 | 1.5147 | 1.5069 | 1.4952 |
| D-Mark | 3.3650 | 3.3500 | 3.3225 | 3.2871 | 3.2195 |
| French Franc | 10.7325 | 10.7105 | 10.6755 | 10.6314 | 10.6213 |
| Swiss Franc | 2.7750 | 2.7641 | 2.7415 | 2.7125 | 2.6630 |
| Japanese Yen | 252.0 | 250.89 | 248.83 | 246.17 | 241.36 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu June 13 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.6761 | 43.9020 | +0.52 | +0.61 | ±1.5369 |
| Danish Krone | 7.91896 | 7.96273 | +0.55 | +0.64 | ±1.6466 |
| German D-Mark | 2.13834 | 2.14865 | +0.48 | +0.57 | ±1.1202 |
| French Franc | 0.96280 | 0.85043 | −1.91 | −1.62 | ±1.3701 |
| Dutch Guilder | 2.40935 | 2.42007 | +0.44 | +0.53 | ±1.5081 |
| Irish Punt | 0.712956 | 0.708896 | −0.57 | −0.49 | ±1.6869 |
| Italian Lira | 1496.21 | 1475.90 | −1.36 | −1.36 | ±4.0788 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike price | Calls—Last June | July | Aug | Sept | Puts—Last June | July | Aug | Sept |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 22.25 | — | — | 22.25 | 0.00 | — | — | 0.07 |
| 1.35 | 17.25 | 17.25 | 17.25 | 17.25 | 0.00 | 0.00 | 0.05 | 0.31 |
| 1.40 | 12.25 | 12.25 | 12.25 | 12.25 | 0.00 | 0.03 | 0.25 | 0.77 |
| 1.45 | 7.25 | 7.25 | 7.51 | 8.11 | 0.00 | 0.30 | 0.57 | 1.86 |
| 1.50 | 2.25 | 3.38 | 4.12 | 5.00 | 0.00 | 1.46 | 2.55 | 3.75 |
| 1.55 | 0.00 | 1.11 | 1.90 | 2.79 | 2.77 | 4.19 | 5.36 | 6.54 |
| 1.60 | 0.00 | 0.24 | 0.72 | 1.41 | 7.77 | 9.32 | 9.16 | 10.16 |

Estimated volume total, Calls 64, Puts 26
Previous day's open int. Calls 4,005, Puts 5,645

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last June | July | Aug | Sept | Puts—Last June | July | Aug | Sept |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 24.80 | — | — | 24.80 | 0.15 | — | — | 0.25 |
| 1.35 | 14.00 | — | — | 19.80 | 0.20 | — | — | 0.50 |
| 1.40 | 9.00 | 12.40 | 0.00 | 10.00 | 0.20 | 0.70 | 0.00 | 1.40 |
| 1.45 | 7.50 | 7.50 | 2.00 | 8.40 | 0.05 | 0.50 | 1.30 | 1.60 |
| 1.50 | 2.50 | 3.70 | 4.65 | 5.20 | 0.15 | 1.70 | 2.00 | 3.75 |
| 1.55 | 0.05 | 1.35 | 2.30 | 2.95 | 3.00 | 4.50 | 5.70 | 6.55 |
| 1.60 | 0.05 | 0.45 | 1.10 | 1.50 | 8.00 | 8.60 | 9.50 | 10.10 |

Previous day's open int. Calls 5,433, Puts 4,743.
Volume 11,658

### LIFFE LONG GILT FUTURES OPTIONS

| Strike price | Calls—Last Aug | Sept | Puts—Last Aug | Sept |
|---|---|---|---|---|
| 116 | 7.00 | 7.61 | 0.34 | 1.37 |
| 118 | 5.32 | 5.37 | 0.60 | 2.13 |
| 120 | 4.07 | 5.23 | 1.35 | 2.63 |
| 122 | 2.81 | 4.19 | 2.22 | 3.56 |
| 124 | 2.01 | 3.23 | 3.28 | 4.63 |
| 126 | 1.27 | 2.38 | 4.48 | 5.78 |
| 128 | 0.53 | 1.82 | 5.17 | 7.38 |
| 130 | 0.21 | 1.29 | 7.59 | 8.05 |

Estimated volume total, Calls 945, Puts 339
Previous day's open int. Calls 6,390, Puts 2,823

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike price | Calls—Last June | Sept | Puts—Last June | Sept |
|---|---|---|---|---|
| 88 | 7.50 | 8.14 | 0.56 | 2.12 |
| 90 | 5.17 | 6.69 | 1.23 | 2.57 |
| 92 | 4.60 | 5.49 | 2.02 | 3.47 |
| 94 | 3.51 | 4.48 | 2.57 | 4.65 |
| 96 | 2.53 | 3.75 | 3.56 | 5.53 |
| 98 | 2.04 | 3.07 | 5.10 | 7.05 |
| 100 | 1.30 | 2.30 | 8.36 | 8.28 |
| 102 | 1.00 | — | 8.06 | — |

Estimated volume total, Calls 386, Puts 38
Previous day's open int. Calls 1,310, Puts 352

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last June | July | Aug | Sept | Puts—Last June | July | Aug | Sept |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 22.00 | — | 22.00 | — | — | 0.05 | — | 0.10 |
| 1.35 | 17.00 | 17.00 | — | 17.00 | — | 0.05 | — | 0.25 |
| 1.40 | 12.00 | 12.00 | — | 12.10 | — | 0.10 | — | 0.60 |
| 1.45 | 7.00 | 7.20 | 7.70 | 8.00 | — | 0.35 | 1.00 | 1.75 |
| 1.50 | 2.30 | 3.40 | 4.10 | 4.70 | — | 1.40 | 2.70 | 3.50 |
| 1.55 | — | 1.20 | 1.85 | 2.40 | 2.60 | 3.95 | 5.25 | 6.00 |
| 1.60 | — | 0.30 | 0.76 | 1.18 | 7.80 | 8.10 | 8.80 | 9.80 |

Previous day's volume, Calls 42,048, Puts 48,347
Previous day's open int. Calls 5,113, Puts 530

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike price | Calls—Last June | Sept | Dec | Mar | Puts—Last June | Sept | Dec | Mar |
|---|---|---|---|---|---|---|---|---|
| 91.00 | 1.38 | 2.03 | — | — | 0.00 | 0.00 | — | — |
| 91.50 | 1.42 | 1.54 | 1.43 | — | 0.00 | 0.01 | 0.05 | — |
| 92.00 | 0.38 | 1.07 | 1.00 | — | 0.00 | 0.04 | 0.15 | — |
| 92.50 | 0.48 | 0.65 | 0.63 | — | 0.00 | 0.12 | 0.25 | — |
| 93.00 | 0.00 | 0.33 | 0.39 | — | 0.13 | 0.29 | 0.49 | — |
| 93.50 | 0.00 | 0.12 | 0.20 | — | 0.62 | 0.59 | 0.73 | — |
| 94.00 | 0.00 | 0.03 | 0.08 | — | 1.02 | 1.00 | 1.17 | — |

Previous day's open int. Calls 4,068, Puts 3,412
Volume

### LONDON

#### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 122-12 | — | — | 123-03 |
| Sept | 122-10 | 122-24 | 121-18 | 121-09 |
| Dec | 122-12 | 122-06 | 121-22 | 121-06 |
| March | 122-08 | — | — | 121-00 |

Estimated volume 8,933 (7,973)
Previous day's open int. 19,852 (19,003)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

#### 10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 102-26 | 102-10 | 102-10 | 102-00 |
| Sept | 102-33 | 102-33 | 102-20 | 102-18 |

Estimated volume 80 (110)
Previous day's open int. 1,146 (1,170)

#### THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 00.22 | 90.22 | 90.17 | 90.19 |
| Sept | 90.79 | 90.80 | 90.72 | 80.72 |
| Dec | 90.96 | 90.96 | 90.89 | 90.88 |
| March | 90.88 | 90.88 | 90.86 | 90.85 |
| June | 90.75 | — | — | 90.70 |

Estimated volume 2,108 (2,700)
Previous day's open int. 17,650 (2,379)

#### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 159.80 | 159.50 | 158.30 | 158.60 |
| Sept | 162.40 | 162.00 | 161.96 | 161.30 |
| Dec | 164.85 | — | — | 163.75 |

Estimated volume 255 (606)
Previous day's open int. 2,581 (2,379)

#### THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.98 | 93.01 | 92.93 | 92.96 |
| Sept | 93.02 | 93.07 | 92.90 | 92.97 |
| Dec | 92.91 | 92.91 | 92.75 | 92.73 |
| March | 92.70 | 92.69 | 92.57 | 92.51 |
| June | 92.44 | — | — | 92.21 |
| Sept | 92.11 | — | — | 94.92 |
| Dec | 91.65 | — | — | 91.66 |

Estimated volume 6,296 (5,485)
Previous day's open int. 21,734 (21,676)

#### US TREASURY BONDS
8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 95-13 | — | — | 93-10 |
| Sept | 94-29 | 95-04 | 93-31 | 92-27 |
| Dec | 94-01 | — | — | 92-25 |

Estimated volume 6,241 (10,486)
Previous day's open int. 5,102 (5,234)

### CHICAGO

#### US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 95-15 | 95-28 | 94-10 | 93-20 |
| Sept | 94-27 | 94-27 | 93-06 | 92-27 |
| Dec | 94-00 | 94-00 | 92-22 | 92-00 |
| March | 93-06 | 93-06 | 92-06 | 91-06 |
| June | 92-14 | 92-13 | 91-14 | 90-13 |
| Sept | 91-23 | 91-23 | 90-22 | 89-23 |
| Dec | 91-03 | 91-03 | 90-01 | 89-03 |
| March | 90-17 | 90-17 | 89-11 | 88-17 |
| June | 90-00 | 90-00 | 89-00 | 88-00 |
| Sept | — | — | — | — |
| Dec | 89-04 | 89-04 | 89-02 | 87-04 |

#### US TREASURY BILLS (IMM)
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.14 | 94.18 | 93.92 | 93.82 |
| Dec | 94.07 | 94.10 | 93.75 | 93.73 |
| March | 93.91 | 93.93 | 93.62 | 93.55 |
| June | 93.58 | 93.64 | 93.36 | 93.30 |
| Sept | 93.36 | 93.36 | 93.14 | 93.02 |
| Dec | 93.06 | 93.07 | 92.89 | 92.75 |
| March | 92.82 | 92.82 | 92.77 | 92.47 |

#### CERT. DEPOSIT (IMM)
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 93.25 | — | — | 93.20 |
| Sept | 93.46 | 93.30 | — | 93.20 |
| Dec | 93.30 | 93.22 | — | 93.02 |
| March | 92.77 | — | — | 92.84 |

#### THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.97 | 93.01 | 92.95 | 92.97 |
| Sept | 93.14 | 93.15 | 92.90 | 92.88 |
| Dec | 93.00 | 93.01 | 92.76 | 92.72 |
| March | 92.76 | 92.78 | 92.58 | 92.49 |
| June | 92.44 | 92.45 | 92.25 | 92.18 |
| Sept | 92.12 | 92.12 | 91.93 | 91.85 |
| Dec | 91.82 | 91.82 | 91.67 | 91.57 |
| March | 91.56 | 91.56 | 91.35 | 91.29 |

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5245 | 1.5210 | 1.5147 | 1.5069 | 1.4952 |

IMM—STERLING $s per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.5240 | 1.5260 | 1.5120 | 1.5256 |
| Sept | 1.5160 | 1.5165 | 1.5030 | 1.5155 |
| Dec | 1.5060 | 1.5060 | 1.4965 | 1.5065 |
| March | 1.4930 | 1.4950 | 1.4950 | 1.4945 |

LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.5223 | 1.5150 | 1.5150 | 1.5275 |
| Sept | 1.5125 | 1.5066 | 1.5036 | 1.5175 |
| Dec | 1.5049 | — | — | 1.5100 |

Estimated volume 82 (77)
Previous day's open int. 1,878 (1,893)

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| June 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5130-1.5260 | 1.5240-1.5250 | 0.37-0.34c pm | 2.79 | 1.01-0.97pm | 2.60 |
| Ireland† | 1.3635-1.3730 | 1.3720-1.3730 | 0.40-0.20c pm | 2.63 | 0.85-0.50pm | 1.97 |
| Canada | 1.3835-1.3870 | 1.3835-1.3845 | 0.14-0.17c dis | −1.34 | 0.52-0.57dis | −1.57 |
| Nethlnd. | 2.4836-2.5030 | 2.4855-2.4865 | 0.24-0.21c pm | 1.08 | 0.76-0.71pm | 1.19 |
| Belgium | 45.08-45.40 | 45.05-45.15 | par-2c dis | −0.26 | par-4dis | 0.18 |
| Denmark | 8.18-8.23¾ | 8.18¼-8.18¾ | 0.25-0.75ore dis | −0.73 | 1.25-1.75dis | −0.73 |
| W. Ger. | 2.2045-2.2240 | 2.2075-2.2085 | 0.50-0.47pf pm | 2.62 | 1.41-1.36pm | 2.50 |
| Portugal | 149¼-150¼ | 149½-149¾ | 100-225c dis | −13.00 | 275-625dis | −12.00 |
| Spain | 141.10-142.15 | 141.20-141.40 | 65-85c dis | −6.33 | 150-200dis | −4.93 |
| Italy | 1514-1525 | 1517¼-1518¼ | 5.70-7¼ lire dis | −4.92 | 16-19½dis | −4.66 |
| Norway | 7.53¾-7.58 | 7.54¾-7.55¼ | 4.10-4.50ore dis | −6.90 | 13.15-13.55d | −7.04 |
| France | 7.03-7.08¾ | 7.03¾-7.04¼ | 0.15-0.25c dis | −0.45 | 0.75-0.90dis | −0.45 |
| Sweden | 7.14¾-7.20 | 7.14¾-7.15¼ | 1.95-2.15ore dis | −3.42 | 5.00-5.49dis | −2.68 |
| Japan | 165.10-166.90 | 165.25-165.35 | 0.36-0.33y pm | 2.42 | 1.00-0.95pm | 2.35 |
| Austria | 15.51-15.61 | 15.51¼-15.52¼ | 3-2gro pm | 1.92 | 8-6pm | 1.82 |
| Switz. | 1.8190-1.8265 | 1.8200-1.8210 | 0.32-0.27c pm | 1.92 | 1.07-0.97pm | 2.22 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.10-45.20.

### EXCHANGE CROSS RATES

| June 13 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.520 | 3.365 | 252.0 | 10.73 | 2.775 | 3.790 | 2314 | 2.101 | 68.75 |
| $ | 0.656 | 1. | 2.207 | 165.3 | 7.040 | 1.821 | 2.486 | 1518 | 1.380 | 45.10 |
| DM | 0.297 | 0.453 | 1. | 74.88 | 3.189 | 0.825 | 1.126 | 687.7 | 0.888 | 20.43 |
| YEN | 3.966 | 6.050 | 13.35 | 1000. | 42.59 | 11.01 | 15.04 | 9183. | 8.358 | 972.8 |
| F Fr. | 0.032 | 1.420 | 3.133 | 234.8 | 10. | 2.586 | 3.531 | 2156. | 1.963 | 64.08 |
| S Fr. | 0.360 | 0.549 | 1.213 | 90.81 | 3.868 | 1. | 1.366 | 833.8 | 0.758 | 24.77 |
| H Fl. | 0.264 | 0.402 | 0.888 | 66.49 | 2.832 | 0.732 | 1. | 610.6 | 0.556 | 18.14 |
| Lira | 0.432 | 0.659 | 1.454 | 108.0 | 4.638 | 1.199 | 1.638 | 1000. | 0.910 | 29.71 |
| C $ | 0.478 | 0.724 | 1.597 | 118.8 | 0.095 | 1.317 | 1.799 | 1090. | 1. | 32.64 |
| B Fr. | 1.455 | 2.217 | 4.895 | 366.0 | 15.61 | 4.036 | 5.513 | 3366. | 3.064 | 100 |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| June 13 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10¼-10⅜ | 10⅛-10¼ | 9⅞-10 | 9⅝-9⅞ | 9⅜-9½ | 9⅛-9⅝ |
| U.S. Dollar | 6⅝-6¾ | 6⅝-6¾ | 6⅝-6¾ | 6⅝-6⅞ | 6⅞-7 | 7⅛-7¼ |
| Can Dollar | 7⅞-8⅛ | 7½-8 | 7¾-8 | 8-8⅛ | 8⅛-8⅜ | 8¼-8 |
| D Guilder | 6⅛-5⅞ | 6⅛-5⅞ | 5⅞-6 | 6⅛-6¼ | 6⅛-6¼ | 6⅛-6¾ |
| Sw. Franc | 2-2⅛ | 4-4⅛ | 4⅛-4⅜ | 4⅝-4¾ | 4½-4⅝ | 4⅛-4⅜ |
| Deutschmark | 4⅛-4¼ | 4¼-4⅜ | 4⅜-4½ | 4⅝-4⅝ | 4⅝-4⅞ | 4⅝-4¾ |
| Fr. Franc | 7-7⅝ | 7⅛-7¼ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7¼ | 7⅛-7¾ |
| Italian Lira | 10-12 | 11⅞-13⅛ | 12⅛-12⅝ | 11⅞-12⅛ | 11⅞-12 | 8⅝-11⅞ |
| B.Fr.(Fin) | 7-7⅛ | 7-7¼ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7¼ | 7⅛-7⅛ |
| B.Fr.(Con) | 7-7⅛ | 7-7⅛ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7¼ | 7⅛-7¾ |
| Yen | 4⅞-4¾ | 4⅛-4⅝ | 4⅛-4⅝ | 4⅛-4⅝ | 4⅝-4⅝ | 4⅝-4⅛ |
| D. Krone | 6⅞-8⅛ | 7-8 | 7⅛-7⅜ | 7⅜-7⅜ | 7⅝-8 | 8¼-8⅜ |
| Asian $ (Sng) | 6⅝-7⅛ | 7-7⅛ | 7-7⅛ | 7-7⅛ | 7¼-7⅜ | 7¼-7⅜ |

Long-term Eurodollars: two years 7⅞-8 per cent; four years 8⅛-8½ per cent; five years 8¼-8½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

## MONEY MARKETS

# Confusion after M3 and RPI

Money supply figures and the retail prices index gave differing views of the UK economy last week, and left dealers in the London money market divided about the immediate prospects for interest rates.

Forecasts for the rise in monthly M3 money supply were mostly in the region of 1½ per cent, and the published increase of 3 per cent left the market stunned. It has been suggested that figures in recent months have been severely distorted, but the annualised rise of 39 per cent over the last three months was too much for the market to shrug off.

Interest rates were marked up defensively on the news, and at least some discount houses became more willing sellers of bills, in the belief that intervention rates will remain unchanged, and bank base rates will not be cut until another set of money supply figures have been published next month.

The reversed yield curve on interbank rates tended to flatten, but as the initial impact wore off there was a general view that lower base rates had been delayed, and not cancelled.

This was reinforced by the fall of 2.8 per cent in year-on-year inflation, published Friday. The retail prices index was at its lowest level since January 1968, after rising 0.2 per cent in May. But after the money supply figures the market remained divided as to whether the authorities would allow a cut in base rates as early as this week.

**UK clearing bank base lending rate 10 per cent since May 22**

### NEW YORK
(4 pm)

| | |
|---|---|
| Prime rate | 8½ |
| Broker loan rate | 7⅞-8 |
| Fed funds | 6¹¹⁄₁₆ |
| Fed funds at intervention | — |

Treasury Bills & Bonds

| | |
|---|---|
| One month | 5.93 |
| Two month | 6.14 |
| Three month | 6.36 |
| Six month | 5.51 |
| One year | 0.65 |
| Two year | 7.12 |
| Three year | 7.32 |
| Four year | 7.48 |
| Five year | 7.55 |
| Seven year | 7.61 |
| 10 year | 7.69 |
| 30 year | 7.49 |

### BANK OF ENGLAND TREASURY BILL TENDER

| | June 13 | June 6 | | June 13 | June 6 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top Accepted rate of discount | 9.4056% | 9.1950% |
| Total of applications | £403m | £427m | Average rate of discount | 9.3599% | 9.1142% |
| Total allocated | £100m | £100m | Average yield | 9.60% | 9.33% |
| Minimum accepted bid | £97.650 | £97.790 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 18% | 65% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| LONDON | June 13 | change | NEW YORK | June 13 | change |
|---|---|---|---|---|---|
| Base rates | 10 | Unch'd | Prime rates | 8½ | Unch'd |
| 7 day interbank | 10 ⅟₁₆ | −⅟₁₆ | Federal funds | 6⅟₁₆ | Unch'd |
| 3mth interbank | 9¾ | +⅛ | 3 Mth. Treasury Bills | 6.38 | −0.19 |
| Treasury Bill Tender | 9.3599 | +0.2288 | 6 Mth. Treasury Bills | 0.58 | −0.14 |
| Band 1 Bills | 9⅞ | Unch'd | 3 Mth. C D | 0.76 | −0.09 |
| Band 2 Bills | 9⅞ | Unch'd | FRANKFURT | | |
| Band 3 Bills | 9¾ | Unch'd | Lombard | 6 | Unch'd |
| Band 4 Bills | 9⅝ | +⅛ | One mth. Interbank | 4.475 | −0.07 |
| 3 Mth. Treasury Bills | 9⅝ | +⅛ | Three month | 4.625 | −0.05 |
| 1 Mth. Bank Bills | 9⅞ | +⅛ | PARIS | | |
| 3 Mth. Bank Bills | 9⅝ | +⅛ | Intervention Rate | 7¼ | Unch'd |
| TOKYO | | | One mth. Interbank | 7⅛ | Unch'd |
| One month Bills | 4.59375 | Unch'd | Three month | 7¼ | Unch'd |
| Three month Bills | 4.65625 | Unch'd | MILAN | | |
| BRUSSELS | | | One month | 12⅛ | |
| One month | 7⅛ | Unch'd | Three month | 12⅛ | |
| Three month | 7⅛ | −⅛ | DUBLIN | | |
| AMSTERDAM | | | One month | 9⅞ | Unch'd |
| One month | 5⅝ | | Three month | 9¾ | |
| Three month | 5⅝ | −⅛ | | | |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

### FT LONDON INTERBANK FIXING
(11.00 a.m. June 13)

| Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 7 | offer 7⅛ | bid 7⅛ | offer 7³⁄₁₆ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| June 13 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 9¼-10 | 10-10⅛ | 10-10⅛ | 9⅞-9⅞ | 9⅝-9¾ | 9⅛-9⅛ |
| Sterling CDs | — | — | 9⅞-9⅞ | 9⅞-9⅝ | 9⅝-9½ | 9⅛-9⅛ |
| Local Authority Deposits | 10⅛-10⅛ | 10⅛-10⅛ | 10 | 9⅞ | 9⅝ | 9⅛ |
| Local Authority Bonds | — | — | 10⅛ | 9⅞ | 9¾ | 9⅛ |
| Discount Mkt Depos | 10.10 | 10⅛-10⅛ | 10 | 9⅝ | — | — |
| Company Depos | 10⅛-10⅛ | 10⅛-10⅛ | 10⅛ | 9⅞ | 9⅝ | — |
| Finance House Depos | — | — | 10 | 9⅝ | — | 9⅝ |
| Treasury Bills (Buy) | — | — | 9⅞ | 9⅝ | — | — |
| Bank Bills (Buy) | — | — | 9⅞ | 9⅞ | — | — |
| Fine Trade Bills (Buy) | — | — | 10 | 9⅞ | — | — |
| Dollar CDs | — | — | 6.85-6.90 | 6.90-6.95 | 6.9-6.95 | 7.10,7.15 |
| SDR Linked Depos | — | — | 6⅛-6⅜ | 6¼-6⅛ | 6½-6⅝ | 6⅛-6¾ |
| ECU Depos | — | — | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7¼-7⅝ |

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9⅞ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.3522 per cent. ECGD Fixed Finance Scheme IV reference rate May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9⅝ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from June 5. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 5⅝ per cent.

### MONEY RATES

| June 16 | Over-night | One Month | Two Months | Three Months | Six Months | Lombard Inter'n |
|---|---|---|---|---|---|---|
| Frankfurt | 4.15-4.25 | 4.40-4.50 | 4.45-4.55 | 4.50-4.60 | 4.50-4.65 | 5.5 |
| Paris | 7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7¼ |
| Zurich | 3⅛-1⅛ | 4⅛-5 | — | — | — | — |
| Amsterdam | 5⅛-5⅛ | 5⅞ 6 | — | — | — | — |
| Tokyo | 4.71875 | 4.59375 | — | 4.65625 | — | — |
| Milan | 12-12⅛ | 12-12⅛ | — | 11⅞-12⅛ | — | — |
| Brussels | 6.80 | 7⅛-7⅛ | — | 7⅛-7⅛ | — | — |
| Dublin | 9⅞-10 | 9⅞-9⅞ | 9⅝-9⅞ | 9⅞-9⅞ | 9⅞-9⅞ | — |

## Company Notices



## Contracts & Tenders





















## Art Galleries



## CLASSIFIED ADVERTISEMENT RATES